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This document comprises an admission document prepared in accordance with the AIM Rules. Any offer of Ordinary Shares is being made only to investors for the purposes of and as defined in section 86 of FSMA and accordingly this document does not constitute, and the Company is not making, an offer to the public within the meaning of sections 85 and 102B of FSMA. This document is therefore not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and has not been approved by or filed with the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Rules. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Halliwells LLP, St James's Court, Brown Street, Manchester M2 2JF from the date of this document until one month from the date of Admission in accordance with rule 3 of the AIM Rules.

The Directors, whose names appear on page 4 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. No person has been authorised to give any information or make any representation other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised.

Application will be made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings for normal settlement in the Ordinary Shares will commence on 11 April 2007.

AIM is a market designed primarily for emerging or smaller companies, to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares will not be dealt on any other recognised investment exchange and no other such application will be made. Furthermore neither the London Stock Exchange nor the UKLA has itself examined or approved the contents of this document.

eXpansys plc

(incorporated in England and Wales under number 3593277)

Placing of 17,241,379 Ordinary Shares at 58 pence per share

Admission to trading on AIM

Nominated Adviser and Broker

Cenkos Securities plc

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

The Placing is conditional on Admission taking place by 8.00 a.m. on 11 April 2007 (or such later date as Cenkos Securities plc agree, being not later than 25 April 2007). All of the Placing Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and distributions declared, paid or made in respect of the Existing Ordinary Shares after Admission.

Cenkos Securities plc, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the matters set out in this document. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to eXpansys plc or to any Director or to any other person in respect of his or its decision to acquire shares in eXpansys plc in reliance on any part of this document. No representation or warranty, express or implied, is made by Cenkos Securities plc as to any of the contents of this document in connection with the proposed Placing.

Cenkos Securities plc is acting for eXpansys plc and no one else and will not be responsible to anyone other than eXpansys plc for providing advice in relation to the proposed Placing. Cenkos Securities plc will not be offering advice and will not be responsible for providing the protections afforded to customers of Cenkos Securities plc to recipients of this document in respect of the Placing or any acquisition of shares or securities in eXpansys plc.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares. Subject to certain exceptions, Ordinary Shares may not, directly or indirectly, be offered or sold within Australia, Canada, Japan, Republic of Ireland, Republic of South Africa or the United States or offered or sold to a person within Australia, Canada, Japan, Republic of Ireland, South Africa or the United States.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and commencement of dealings in the Ordinary Shares on AIM	11 April 2007
Where applicable, CREST accounts credited in respect of the Placing Shares	11 April 2007
Where applicable, despatch of definitive share certificates	by 18 April 2007

PLACING STATISTICS

Placing Price	58p
Number of Ordinary Shares being issued pursuant to the Placing	17,241,379
Gross proceeds of the Placing	£10.0 million
Estimated net proceeds of the Placing receivable by the Company	£9.0 million
Number of Ordinary Shares in issue following the Placing	40,353,907
Market capitalisation of the Company at the Placing Price at Admission	£23.5 million
Percentage of Enlarged Share Capital represented by the Placing Shares	42.7 per cent.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Barry Arthur Roberts (<i>non-executive Chairman</i>) Roger Butterworth (<i>Chief Executive Officer</i>) Cathryn Anne Hulme (<i>Finance Director</i>) Stephen Mark Muttram (<i>President North American Operations</i>) Frederic Pont (<i>Director European Operations</i>) Graham Dawber (<i>non-executive Director</i>)
Registered Office	St James's Court Brown Street Manchester M2 2JF
Company Secretary	Halliwells Secretaries Limited
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Solicitors to the Company	Halliwells LLP St. James's Court Brown Street Manchester M2 2JF
Solicitors to the Nominated Adviser	Rosenblatt Solicitors 9-13 St Andrew Street London EC4A 3AF
Auditors and Reporting Accountants	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

PART I

INFORMATION ON THE GROUP

Introduction

eXpansys is a leading retailer of smartphones and handheld devices with wireless connectivity, serving retail customers through the internet and corporate customers through direct sales channels. Since its incorporation in 1998, the Company has grown both organically and through acquisition to the extent that it has a global infrastructure that shipped nearly 1.5 million products to over 250,000 customers in over 125 different countries in the year to 31 October 2006. Headquartered in Manchester, the Group benefits from a highly diversified customer base and enjoys a large amount of repeat business. Historically, the Group has sourced products through distributors and other intermediaries. As the Company has grown, however, it has become apparent, that opportunities exist for the Group to increase margins when dealing directly with product manufacturers and, following Admission, the Directors intend to capitalise upon these further. As a leader in its market place, eXpansys has made a number of acquisitions in recent years that have increased its geographic presence in overseas markets including the United States and France and the Company intends to remain a consolidator in the future.

History of the Group

Founded in July 1998 as a software developer, eXpansys developed a website to sell handheld computer equipment and, having established an internet presence, began trading on 1 February 1999. Roger Butterworth, the current Chief Executive Officer, joined the Company in August 2000 and a strategic decision was taken to focus on internet retail rather than software development. In 2001, the Company acquired a UK competitor, 21Store.com and opened a sales office in the United States. European expansion took place from December 2002, with the Company creating a sales presence in Montpellier, France. The Far East, Scandinavian and Australian markets were targeted from 2004 through the opening of sales offices in Hong Kong, Sweden and the signing of a strategic agreement with an Australian partner, respectively. Since that time, the Company has made a series of acquisitions, with Portable Add Ons Limited purchased in September 2004 and US-based competitor, Mobile Planet Inc, acquired in April 2005. eXpansys added a new range of higher margin own branded products through the acquisition of ORA later that year and the Nomatica business, a specialist camera retailer in France, in February 2006.

Having integrated the various acquisitions and seen strong organic growth, the Directors believe that the Group has become one of the leading global retailers of electronic devices and expect this position to be consolidated through continued organic growth and strategic acquisition where appropriate.

Key strengths

The Directors believe that the Group's key strengths, which have contributed to its success to date, include its:

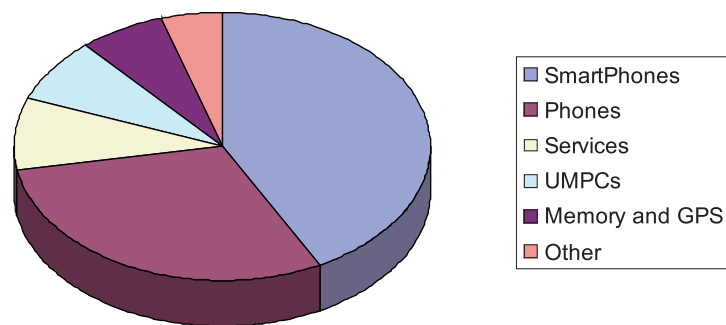
- *Strong brand.* The Group operates 50 websites in 12 different languages and transacts business in 16 currencies. These websites record an average of approximately 3.2 million page hits and 400,000 separate visitors per day.
- *Leading reputation for providing a wide range of products with strong after-sales support at competitive prices.* The Group has shipped products to over two million customers over the last five years and, during the six months to October 2006, two thirds of the Group's revenue was generated by customers who had purchased from the Group previously. The Directors believe that this illustrates the Group's ability to identify the needs of its customers and process orders efficiently together with a high quality of service.
- *Robust logistics infrastructure.* From its inception, eXpansys has been an IT-led business and the Directors believe the user-friendly website navigation and purchase function to be highly popular with customers. These in-house developed systems are supported by an infrastructure to handle stock inventory, product despatch, invoice and customer account management. The Group's office

network across the world, which operates and is interconnected through a VoIP network, has the ability to offer a 24 hours seven days a week customer support function. In addition, the Group is self-sufficient in handling warranty returns through in-house repair facilities in the UK and the US, a feature that the Directors believe is particularly key in the sale of wireless products.

- *Own branded products.* In the 12 month period to 31 October 2006, approximately five per cent. of the Group's sales came from its own branded ORA and Ubiquio products. Historically sales from these products have been higher margin and the Directors expect this to be the case in the future. Given the relatively new nature of this offering, the Directors expect increased sales of own branded products to be a driver of the Group's growth going forward.
- *Ability to identify and integrate acquisitions successfully.* To date, the Company has made five acquisitions, all of which have been integrated without major disruption and have made a positive contribution to the Group.

Business overview

The Group specialises in the sale of handheld electronic devices with wireless connectivity. The Group's customers range from individual retail purchasers to blue chip corporate accounts with products ranging from smartphones and ultra mobile personal computers to cameras and GPS equipment. The following chart illustrates the major categories of product sold during the three months to 31 October 2006:



Headquartered in Manchester, the eXpansys Group services its global customer base through a network of warehouses in the UK (Manchester), France (Montpellier), USA (Bloomington, Illinois), Hong Kong and, on a smaller scale, Australia (Melbourne). Under the umbrella of www.expansys.com, www.nomatica.com, www.portix.com and www.mobileplanet.com websites, the Group operates some 50 websites, which aim to cater for the major economies and languages of the world.

The Directors believe that retail customers are attracted to eXpansys' websites by their ease of use and the Group's reputation for customer service together with its competitive pricing and the availability of a much wider range of stock than is found on the high street. Whilst the Group recognises the importance of price, it does not necessarily aim to be the cheapest possible source of product. Rather, the focus is on ensuring that the desired product is in stock and can be delivered quickly, factors that the Directors believe are key in securing customer sales and repeat business. During the six months to October 2006, over two-thirds of the Group's revenue was generated from customers who had previously purchased from the Group. The Group has the ability to offer a 24 hours seven days a week customer support telephone help desk and aims to offer the highest possible standard of customer service. The Group aims to exceed legal minimums for customer service requirements in each territory in which it operates, such as providing customer returns and warranties, further enhancing the customer's experience with the Group. The Directors believe that the Group's high standard of customer support has contributed to the Company's increase in market share.

Targeted and strategic marketing has been a focus for the Group with many marketing activities supported, at least in part, by the Group's suppliers. Marketing resources are split between activities aimed at encouraging repeat business and those aimed at securing new customers. Initiatives aimed at existing customers, and which attract the majority of the Group's marketing budget, include "in-box

catalogues” with every retail delivery encouraging customers to buy accessories and incentivising them to recommend eXpansys to friends or colleagues. New customers are targeted through marketing partnerships, Google Adwords and magazine advertisements.

Approximately 75 per cent. of sales during the six months to October 2006 were to retail customers, with the balancing 25 per cent. of sales to corporate customers. The Group has a blue chip list of corporate customers which include Microsoft, Oracle, The Metropolitan Police and Dell Computer and the Group is one of the leading resellers of Windows Mobile enabled devices in Europe and North America. This higher volume but lower margin business is sourced through a direct sales team. For the six months ended October 2006, the corporate customer list was highly diversified with no customer accounting for more than two per cent. of total revenues and the top 100 customers accounting for less than one quarter of total sales.

The Group’s strategy is to buy goods from the cheapest source, taking into account transportation costs and exchange rates. The Group’s purchasing team is spread across the warehouse network with staff taking advantage of purchasing opportunities across the world when they arise. Each purchaser is allocated a set of product lines and is responsible for supplying the Group as a whole using the Group’s integrated stock management system. A clear benefit of this global presence is the ability to offer new products to consumers as soon as they are released and often before the products have been launched globally. Delivery of products is outsourced, with each warehouse contracting with couriers for local and long distance deliveries. Whilst the majority of purchases have historically been sourced from intermediaries, the Directors have found that significant margin improvement can be achieved through direct product sourcing and expect this to be an important factor in the future growth of the Group. This is discussed more fully below.

The market

The demand for mobile devices continues to grow and there were approximately 2.5 billion mobile phone users around the world at the end of 2006. The fourth quarter of 2006 saw nearly 300 million handsets shipped, an increase of 20 per cent. over the previous year and this growth is forecast to continue. The market for smartphones is experiencing the strongest growth and this is an area in which the Group is focussing its sales efforts. Global sales of wireless handheld and smartphone devices increased by 55 per cent. in the second quarter of 2006, with this growth being particularly strong in the Far East where the Group has maintained a dedicated sales office in Hong Kong since 2003. Sales of smartphones rose 149 per cent. to 9.2 million units in the Asia Pacific area in the second quarter of 2006 when compared to the same period in 2005. For the second fiscal quarter of 2007, sales of smartphones contributed more than 50 per cent. of total Group revenue. The Directors expect this growth to continue as smartphone technology becomes more widely used, broadband speeds increase and the emerging markets of India and China continue to develop.

As well as increases in sales of the Group’s core product offering, recent years have seen strong growth in the proportion of consumer spending being carried out over the internet rather than on the high street. In 2005 retail spending decreased by 1.3 per cent., compared to online purchases of goods and services which grew by nearly 29 per cent. for the same period. Increased confidence in the security and quality of service experienced by consumers over the internet, together with the rapid growth in broadband penetration, has led to almost 25 million people in the UK having transacted purchases over the internet. This growth, the Directors believe, is a trend that is set to continue and is supported by research that predicts that by 2010, consumers in the UK will transfer £18.5 billion worth of spending to online retailers, which would have otherwise been spent in stores.

In addition, the Directors believe that eXpansys is well placed to take advantage of changes that may take place in the mobile phone industry. Mobile phone network operators continue to subsidise handsets as a means of attracting customers. The Directors believe that as handsets emerge to take advantage of Wi-Fi and WiMAX technology, the network operators will begin to focus their offering around connectivity and related services and encourage customers to purchase handsets elsewhere. This trend could be accelerated if networks suffer continued regulatory pressure on their operating margins. The Directors believe that the Group is well placed to take advantage of such a change, particularly in relation to high end handsets and smartphones.

At the same time, cable and telecommunications groups, particularly in the US, are providing customers with the “triple play” of television, phone and internet provision and invoicing these “bundled” services through a single bill. It has been predicted that mobile phone services will be the next service to be included in the bundle and, as with the television, fixed line phone and computer, the customer will be required to buy the hardware separately. The Directors believe that the Group, as one of the leading retailers of mobile devices, is particularly well placed to benefit from this trend.

Competition

eXpansys operates its retail business on a worldwide scale through a variety of sales channels and, whilst there are companies that are regarded as competition in different territories, the Directors do not consider there to be a company that competes with eXpansys on a global basis. The Directors believe that competitors fall into one of two categories. The first consists of companies which offer a similar product set to eXpansys but within a geographically restricted region. Examples of such companies include Mobile Fun Limited, Clove Technology Limited, Widget UK Limited, WINC Internet & Communications BV and On the Go Solutions, Inc. The second category consists of major corporate bodies that have a similar geographic presence compared to eXpansys but only a small and non-core part of their business competes with the Group. Companies that the Directors consider to fall into this category include O2, Newegg.com, T-Mobile, Dabs and Pixmania.

Opportunities for growth

The Directors intend to grow the business in order to build upon eXpansys’ position as a leading retailer of wirelessly connected devices in the UK, USA, Europe, Australia and beyond. In order to achieve this, the Group intends to focus on increasing traffic to its websites through continuing to upgrade existing sites along with the launch and translation of sites in other geographical areas such as the Middle East. The Directors also intend to grow sales of the Group’s own branded, higher margin, Ubiquio and ORA products through the appointment of a dedicated sales team which will be focused on and incentivised by, sales of these products. Growth is also expected from the territories in which the Group launched more recently such as the US and the Far East. The Directors expect these territories to follow the same growth trajectory as the UK, with growth seen in the early years of launch being particularly strong as the eXpansys brand gains traction.

eXpansys has made several acquisitions in recent years and believes that further efficiencies are possible from these businesses. The Directors will continue to consider additional strategic acquisitions where appropriate. Importantly, however, the Directors believe that significant improvements can be made to the financial performance of the existing business through disintermediation and dealing with OEMs directly. To date, the majority of eXpansys’ products have been sourced through intermediaries. As relationships with these distributors have matured, the Group has enjoyed favourable credit terms. Following the growth of eXpansys, however, the Group has been approached by and intends to deal directly with OEMs to obtain more attractive pricing terms and margin gains. This is already taking place with the most recent agreements with Toshiba Information Systems (UK) Limited and Palm Europe Limited at the 3GSM exhibition which was held in February this year.

To date, any improved purchasing terms achieved by dealing directly with OEMs have been offset by the requirement for the Group to put in place expensive credit facilities as a result of losing the favourable credit terms that are available from the distributors. Following Admission, the Directors expect this position to change, with the strengthening of the Group’s balance sheet leading to additional relationships with OEMs and enabling the Group to enjoy the benefits of improved trading terms whilst not having to suffer from the requirement to put credit facilities in place. In addition, the Directors believe that they will be able to negotiate exclusive or restricted distribution agreements with some suppliers with the corresponding opportunity for margin enhancement.

The Directors believe that eXpansys’ scaleable IT and logistics systems together with modern warehouses are well prepared for, and have the capacity to handle, the Group’s expected growth for the foreseeable future.

Reasons for the Placing and Admission and use of proceeds

The Company is seeking Admission and undertaking the Placing to:

- repay debt, and restructure its balance sheet, enabling the Company to transact with OEMs directly and enhance margins;
- secure a more diversified shareholder base;

- raise its corporate profile;
- gain an attractive acquisition currency; and
- facilitate the further incentivisation of key management and employees.

Current trading and prospects

Trading since 31 October 2006 has continued in line with expectations. The growth that the Company has enjoyed over the last twelve months has been driven by strong demand but there have been times when the Company has struggled to meet this demand due to working capital constraints, resulting in the accumulation of a significant level of back-orders. This has been particularly acute over the last five months which has resulted in the Company being loss making during this period and there being a corresponding reduction in net assets. The Directors are, however, excited by the prospects for the Company following Admission when, with its balance sheet strengthened and with additional working capital available, they believe that the significant number of back-orders can be fulfilled and the financial performance of the Company enhanced. The Company continues to see opportunities to transact directly with OEMs and the Directors were pleased to conclude significant agreements with both Toshiba Information Systems (UK) Limited and Palm Europe Limited at the recent 3GSM conference. The Directors view the future with confidence and believe that the Group is well placed to take advantage of the future growth opportunities available to it.

Financial Information

The table below summarises the audited trading results of the Company for the three years ended 30 April 2006 and the audited interim results for the six months ended 31 October 2006 and has been extracted from the Accountants' Report set out in Part III of this document. This summary should be read in conjunction with the full text of the Accountants' Report.

	<i>Year ended 30 April 2004 (audited) £'000</i>	<i>Year ended 30 April 2005 (audited) £'000</i>	<i>Year ended 30 April 2006 (audited) £'000</i>	<i>Six Months ended 31 October 2006 (audited) £'000</i>
Turnover	22,869	35,654	54,522	29,425
Gross profit	5,639	7,785	11,487	6,589
Operating profit/(loss)	1,053	612	(695)	124
Profit/(loss) on ordinary activities before taxation	1,025	557	(903)	(50)

Directors

Barry Roberts, non-executive Chairman, aged 57

Barry has over 35 years' experience in the computer industry and was a founder of ICM Computer Group plc, where he served as Group Chief Executive from 1986 until 2005 and was responsible for the implementation of ICM's business strategy. During that period, Barry led ICM Computer's growth and development including the successful listing of the company's shares on the Official List in 1998. Barry retired as Group Chief Executive of ICM in November 2005 and remained as a consultant to ICM for a further six months. Barry is a qualified electronics engineer (HND Electronic Engineering), with distinctions in electronics and mathematics.

Roger Butterworth BSc, Chief Executive Officer, aged 38

Roger invested into the eXpansys business and became CEO in August 2000. Before joining eXpansys he was the UK business manager of Clarity Technology Distribution Limited, a supplier to eXpansys and a division of Horizon Technology Group which floated on the Official List in 1999. During the four years that Roger was in charge, Clarity grew from start-up to a business with turnover of over £10 million. Prior to Clarity, Roger worked in sales and sales management for ICL. Roger holds a BSc in Marine Physics from the University of Wales.

Cate Hulme BSc Hons ACA, Finance Director, aged 33

Cate joined eXpansys in October 2005 as CFO, from PricewaterhouseCoopers LLP, having qualified as a Chartered Accountant with Ernst & Young LLP in 1998. Throughout her career in finance she has specialised in fast growing entrepreneurial and AIM listed companies and has had a close working relationship with the Company since 2000. Cate holds a first class degree in Mathematics from the University of Manchester.

Steve Muttram, President, North American Operations, aged 42

Steve joined the group via the acquisition of Portable Add-Ons Limited in September 2004 where he had been Managing Director since joining in 1999. He led a successful management buy-out of the business in November 2000 and has over 22 years' experience in the IT communications industry, having previously worked as the EMEA Sales Manager at Xircom Inc from 1995-1999, (bought by Intel in 2000) a manufacturer of PCMCIA connectivity cards. At Computer 2000 from 1989-1995, he spent the last four years as a Business Manager of networking and communication products at a time when sales grew from £2 million to £15.5 million.

Frederic Pont, Director European Operations, aged 40

Frederic accelerated the international expansion of eXpansys by creating eXpansys Southern Europe in November 2002 and translating the Group's websites for non-English speaking jurisdictions. Before joining eXpansys he was Worldwide Engineering Controller at Palm and Montpellier Site Director. He actively participated in the Palm-Palmsource demerger. Previously he was CFO of Smartcode Technologie S.A.R.L. at the time of its sale to 3Com Inc (Palm's parent company) in 1999. Frederic is a chartered accountant and has worked at both Deloitte and KPMG.

Graham Dawber, non-executive Director, aged 58

Graham joined Coopers & Lybrand in 1965, qualified as a Chartered Accountant in 1970 and was admitted to the partnership in 1980, following a two year secondment to the firm in Nigeria. He also worked with the firm in Switzerland, Belgium and Mexico. As a general practice partner he has significant experience in listed company flotations, acquisition and disposal assignments and his client portfolio included listed companies and other organisations demanding effective and comprehensive corporate governance arrangements. Graham retired from PricewaterhouseCoopers in 2005 and since then has been appointed a Governor of Manchester Metropolitan University and Chairman of its Audit Committee and Chairman of the Risk and Audit Committee of Her Majesty's Courts Service, North West Region.

Dividend policy

Following Admission, the Directors intend to commence the payment of dividends when it is commercially prudent to do so and subject to the availability of distributable reserves. The Directors consider, however, that it may be more prudent to retain cash to fund the expansion of the Group and as a result it is inappropriate to give an indication of the likely level or timing of any future dividends.

Taxation

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 11 of Part IV of this document. **Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate independent professional adviser immediately.**

Venture Capital Trust (VCT) Investors

The Directors believe the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the VCT legislation.

The Company has applied for and received confirmation from HM Revenue & Customs that it fulfils the requirements for investment by VCT companies.

Share Option Scheme

The Directors recognise the importance of ensuring that employees are well motivated and identify closely with the success of the Group. To achieve this goal, the Company has established the Share Option Scheme. There are currently unexercised options in respect of 1,230,640 Ordinary Shares under the Share Option Scheme representing 3.0 per cent. of the Enlarged Share Capital of which options in respect of 425,320 Ordinary Shares have been granted to Directors representing 1.0 per cent. of the Enlarged Share Capital and the balance of 805,320 Ordinary Shares have been granted to employees and a consultant. Further details of the Share Option Scheme are set out in paragraph 12 of Part IV of this document.

Corporate governance and internal controls

The Directors recognise the importance of sound corporate governance. The Directors intend, insofar as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code.

The Directors have established an audit committee and a remuneration committee. The remuneration committee will determine the terms and conditions of service, including the remuneration and grant of options to, executive Directors. The audit committee has primary responsibility for monitoring the quality of internal financial controls and ensuring that the financial performance of the Company is properly measured and reported on, and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls.

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

Further details relating to corporate governance and internal controls can be found in paragraph 10 of Part IV of this document.

The Placing

The Placing, which has not been underwritten by Cenkos, comprises the placing at the Placing Price of 17,241,379 Placing Shares with institutional and other investors. The Placing Shares to be issued pursuant to the Placing represent approximately 42.7 per cent. of the Enlarged Share Capital and will raise approximately £9.0 million net of expenses for the Company, which will be used to restructure the Company's balance sheet and for working capital purposes.

The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions thereafter declared, made or paid in respect of the ordinary shares in the capital of the Company. Following the Placing, the Directors will hold in aggregate, 28.9 per cent. of the Enlarged Share Capital. Further details of the Directors' interests in Ordinary Shares are set out in paragraph 5 of Part IV of this document.

Under the Placing Agreement, Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price and has conditionally placed all those shares at the Placing Price with institutional investors and other investors. The obligations of Cenkos are conditional upon, *inter alia*, Admission taking place by 8.00 am on 11 April 2007 (or such later time and date, being not later than 8.00 am on 25 April 2007, or as Cenkos shall agree). The Placing Agreement contains provisions entitling Cenkos to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If the right is exercised, the Placing will lapse.

Admission, settlement and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that

Admission of the Placing Shares and the Existing Ordinary Shares will become effective and that dealings will commence on 11 April 2007. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a “system-member” (as defined in the CREST Regulations) in relation to CREST.

Lock-in arrangements

Various Directors, who hold or are interested in an aggregate of 11,695,767 Ordinary Shares representing 28.9 per cent. of the Enlarged Share Capital, and Matthew Kydd, who holds or is interested in 8,505,847 Ordinary Shares representing 20.3 per cent. of the Enlarged Share Capital, have entered into lock-in and orderly market arrangements under the Placing Agreement in respect of all of their shareholdings, the terms of which are described more fully in paragraph 17.4 of Part IV of this document.

Under the terms of these arrangements, the Directors and Matthew Kydd have, conditional on Admission, agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them for a period of 12 months following Admission, and for a further 12 months in respect of 50 per cent. of the Ordinary Shares held by them at Admission.

The Directors and Matthew Kydd have also agreed that, during the period of 12 to 24 months following Admission, any sale or disposal of the remaining 50 per cent. of their Ordinary Shares will be effected through the Company’s broker on a best price and execution basis, and for a further 12 months on this basis for all of their Ordinary Shares.

Risk factors

The Group’s business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular Part II entitled “Risk Factors”.

Additional information

Your attention is drawn to the additional information set out in Parts II to IV of this document.

PART II

RISK FACTORS

Potential investors should carefully consider the specific risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group, which are described below and elsewhere in the document. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Group and is not set out in any order of priority. In particular, the Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or any of its subsidiary companies operate or intend to operate as well as overall global financial conditions.

1. Risks relating to the business of the Group

Stock

The Group holds significant quantities of stock, some of which may be subject to devaluation, theft, damage or other loss. The Group seeks to mitigate these risks through a highly developed purchasing system, careful stock handling, a comprehensive security policy and appropriate insurance. A breakdown in any of these systems could, however, have an adverse impact on the Group's financial performance.

Debtors

The Group provides credit to corporate customers without security. Whilst the Group seeks to mitigate the risks of doing so through careful credit checks and has the option to take up credit insurance if it proves commercially viable to do so, a significant increase in the level of bad debts or insolvency of a major customer would have an adverse affect on the financial performance of the Group.

Competition

As described on page 8 of this document the Group faces a wide range of competitors. Any unforeseen change in the competitive landscape in which the Group operates may have a detrimental affect on the Group's financial performance.

Loss of management or key sales staff

The Group's future success depends on the ability of management and key staff to operate effectively, both individually and as a group. If the Group was to lose the services of any of these key employees, it may encounter difficulties in finding suitable replacements and the Group's business, financial condition and operating results could be adversely affected.

Internet disruption

As the Group's retailing business is exclusively conducted through its website, the Group's business is highly dependent on the efficient functioning of its own website as well as the accessibility of the wider internet infrastructure. As such, the Group is reliant on complex IT systems and servers to maintain the availability of its website and internet traffic and any substantial disruption to the internet on a micro or macro basis would disrupt the Group's ability to generate sales from its website.

Supplier credit terms

The Group has traditionally enjoyed favourable credit terms from its suppliers. In the event that there is an adverse change in credit terms with suppliers, this would have an impact on the cash requirements of the business resulting in the Group finding itself in a negative working capital position that would impair its financial condition and hinder its ability to source supplies and meet customer orders.

2. Risks associated with the e-commerce industry

On line fraud

The introduction of “chip and pin” technology to reduce fraud in retail outlets in the UK has coincided with a significant increase in “customer not present” card fraud in the UK. As an online retailer, the Group is exposed to this type of fraud. eXpansys continues to check all orders by hand using trained and experienced staff and eXpansys has not seen a material increase in actual fraud. A breakdown in the Group’s systems, however, leading to an increase in actual fraud would have an adverse affect on the Group.

Regulation

The on-line sales industry is subject to regulation at both the UK and European level and is governed by regulations including the Distance Selling Directive, the RoHS Directive (the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) and the WEEE Directive (Waste Electrical and Electronic Equipment). Any future changes to the regulatory environment in which the Group operates anywhere in the world may have an adverse affect on the Group.

Government regulation relating to e-commerce

Although the Group’s services and transmission of its website content originate from the United Kingdom, there is a possibility that the Group’s website content and services may be subject to jurisdictional control in other countries and the Group may be prosecuted for indirect violation of domestic laws. The Group may have to comply with onerous legal requirements in other jurisdictions that may restrict the Group’s ability to market and sell its products in those jurisdictions.

Economic downturn

As the Group is principally involved in the retail industry, the Group’s revenue is directly linked to consumer spending patterns. A general downturn in the economy or an erosion of consumer confidence, particularly in the UK and other markets where the Group has business operations, could have an adverse impact on the Group’s business and operating results.

3. General risks

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts’ expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group’s sector and other events and factors outside of the Group’s control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List.

PART III
ACCOUNTANTS' REPORT AND
FINANCIAL INFORMATION ON THE GROUP

The Directors,
eXpansys plc
Unit 1
Kiwi Park
Commerce Way
Trafford Park
M17 1HW

4 April 2007

Dear Sirs

eXpansys plc

We report on the financial information for the years ended 30 April 2004, 2005 and 2006 and the six months ended 31 October 2006 set out in paragraphs 17 to 44 (the "Financial Information"). Our report does not extend to the unaudited financial information in respect of the six month period ended 31 October 2005. The Financial Information has been prepared for inclusion in the AIM admission document dated 4 April 2007 of eXpansys plc on the basis of the accounting policies set out on pages 21 to 23. This report is required by Schedule Two of the AIM Rules and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of eXpansys plc are responsible for preparing the Financial Information on the basis of preparation set out in note 1 to the Financial Information.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the AIM admission document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the AIM admission document dated 4 April 2007, a true and fair view of the consolidated state of affairs of eXpansys plc as at the dates stated and of its profit and loss and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 to the Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

Group profit and loss account

		<i>Year ended 30 April 2004 £000</i>	<i>Year ended 30 April 2005 £000</i>	<i>Year ended 30 April 2006 £000</i>	<i>Unaudited 6 months ended 31 October 2005 £000</i>	<i>6 months ended 31 October 2006 £000</i>
Turnover	3	22,869	35,654	54,522	25,757	29,425
Exceptional cost of sales		—	—	(256)	—	—
Other cost of sales		(17,230)	(27,869)	(42,779)	(20,191)	(22,836)
Total cost of sales		(17,230)	(27,869)	(43,035)	(20,191)	(22,836)
Gross profit		5,639	7,785	11,487	5,566	6,589
Exceptional distribution costs		—	—	—	—	(223)
Other distribution costs		(1,433)	(1,901)	(2,983)	(1,439)	(1,536)
Total distribution costs		(1,433)	(1,901)	(2,983)	(1,439)	(1,759)
Exceptional administrative expenses		—	—	(381)	(79)	(318)
Other administrative expenses		(3,153)	(5,272)	(8,818)	(4,156)	(4,388)
Total administrative expenses		(3,153)	(5,272)	(9,199)	(4,235)	(4,706)
Operating profit/(loss)	4	1,053	612	(695)	(108)	124
Exceptional costs		—	—	(637)	(79)	(541)
Operating profit/(loss) before exceptional costs		1,053	612	(58)	(29)	665
Bank interest receivable		—	—	13	5	11
Interest payable	6	(28)	(55)	(221)	(92)	(185)
Profit/(loss) before taxation	3	1,025	557	(903)	(195)	(50)
Tax on profit/(loss) on ordinary activities	7	(95)	(125)	(136)	(28)	288
Profit/(loss) after taxation	17	930	432	(1,039)	(223)	238
Equity minority interest	17	(67)	(130)	52	(47)	(20)
Retained profit/(loss) attributable to members of the parent company		863	302	(987)	(270)	218
Earnings per share basic	18	17.6p	6.1p	(19.9)p	(5.5)p	4.4p

Group statement of total recognised gains and losses

	<i>Year ended 30 April 2004 £000</i>	<i>Year ended 30 April 2005 £000</i>	<i>Year ended 30 April 2006 £000</i>	<i>Unaudited 6 months ended 31 October 2005 £000</i>	<i>6 months ended 31 October 2006 £000</i>
Profit/(loss) for the financial period attributable to members of the parent company	863	302	(987)	(270)	218
Exchange differences on retranslation of net assets of subsidiary undertakings	(3)	(57)	(18)	16	130
Total recognised gains and losses	<u>860</u>	<u>245</u>	<u>(1,005)</u>	<u>(254)</u>	<u>348</u>

Group balance sheet

	<i>30 April 2004 £000</i>	<i>30 April 2005 £000</i>	<i>30 April 2006 £000</i>	<i>Unaudited 31 October 2005 £000</i>	<i>31 October 2006 £000</i>
<i>Notes</i>					
Fixed assets					
Intangible assets:					
Positive goodwill	4	3,155	3,677	3,110	3,565
Trade marks	—	—	176	103	171
	8	4	3,155	3,213	3,736
Tangible assets	9	773	1,664	1,775	2,226
		<u>777</u>	<u>4,819</u>	<u>4,988</u>	<u>5,962</u>
Current assets					
Stocks	11	1,921	4,386	6,674	4,616
Debtors	12	861	1,709	3,820	3,090
Cash at bank and in hand		1,002	1,990	896	398
		<u>3,784</u>	<u>8,085</u>	<u>11,390</u>	<u>8,104</u>
Creditors: amounts falling due within one year	13	(3,247)	(8,751)	(14,263)	(9,494)
		<u>537</u>	<u>(666)</u>	<u>(2,873)</u>	<u>(1,390)</u>
Net current assets/(liabilities)		<u>1,314</u>	<u>4,153</u>	<u>3,598</u>	<u>3,383</u>
Total assets less current liabilities		<u>1,314</u>	<u>4,153</u>	<u>3,598</u>	<u>3,383</u>
Creditors: amounts falling due after more than one year	14	(158)	(2,555)	(1,926)	(2,207)
Provisions for liabilities and charges	15	—	—	(27)	—
		<u>1,156</u>	<u>1,598</u>	<u>1,141</u>	<u>1,391</u>
Equity minority interests		<u>—</u>	<u>(197)</u>	<u>5</u>	<u>(244)</u>
		<u>1,156</u>	<u>1,401</u>	<u>1,146</u>	<u>1,147</u>
Capital reserves					
Share capital	16,17	10	10	53	10
Share premium	17	145	145	145	145
Merger reserve	17	—	—	750	—
Profit and loss account	17	1,001	1,246	198	992
Equity shareholders funds	17	<u>1,156</u>	<u>1,401</u>	<u>1,146</u>	<u>1,147</u>
		<u>1,156</u>	<u>1,401</u>	<u>1,146</u>	<u>1,494</u>

Group statement of cash flows

	<i>Year ended 30 April 2004 £000</i>	<i>Year ended 30 April 2005 £000</i>	<i>Year ended 30 April 2006 £000</i>	<i>Unaudited 6 months ended 31 October 2005 £000</i>	<i>6 months ended 31 October 2006 £000</i>
<i>Net cash flow from operating activities</i>	21(a) 1,205	244	1,449	127	156
<i>Returns on investments and servicing of finance</i>					
Interest paid	(28)	(55)	(208)	(85)	(174)
<i>Taxation</i>					
Corporation tax paid	(15)	(92)	(133)	(80)	(41)
<i>Capital expenditure and financial investment</i>					
Payments to acquire intangible fixed assets	—	—	(234)	—	(20)
Payments to acquire tangible fixed assets	(435)	(991)	(957)	(423)	(340)
Receipts from disposal of tangible fixed assets	36	—	—	—	—
	(399)	(991)	(1,191)	(423)	(360)
<i>Acquisitions</i>					
Purchase of subsidiary undertakings and minority interests	21(b) —	(2,483)	329	379	(5)
<i>Net cash inflow/(outflow) before financing</i>	763	(3,377)	246	(82)	(424)
<i>Financing</i>					
New loans	—	2,533	—	—	235
Repayment of loans	—	—	(229)	—	(301)
Repayments of capital element of finance leases	(27)	(127)	(164)	(49)	(85)
Redemption of shares	(17)	—	—	—	—
	(44)	2,406	(393)	(49)	(151)
<i>Increase/(decrease) in cash</i>	21(c) 719	(971)	(147)	(131)	(575)

Reconciliation of net cash flow to movement in net (debt)/funds

		<i>Year ended 30 April 2004 £000</i>	<i>Year ended 30 April 2005 £000</i>	<i>Year ended 30 April 2006 £000</i>	<i>Unaudited 6 months ended 31 October 2005 £000</i>	<i>6 months ended 31 October 2006 £000</i>
Increase/(decrease) in cash	21(c)	719	(971)	(147)	(131)	(575)
Repayment of capital element of finance leases	21(c)	27	127	164	49	85
New long term borrowings	21(c)	—	(2,533)	—	—	(235)
Repayment of long term borrowings	21(c)	—	—	229	—	301
<i>Change in net debt resulting from cash flows</i>		746	(3,377)	246	(82)	(424)
New finance leases	21(c)	(6)	(402)	(144)	(89)	(168)
Other non-cash movements	21(c)	—	—	—	—	63
<i>Movement in net funds/(debt)</i>		740	(3,779)	102	(171)	(529)
Net funds/(debt) at the beginning of the financial period	21(c)	31	771	(3,008)	(3,008)	(2,906)
<i>Net funds/(debt) at the end of the financial period</i>	21(c)	771	(3,008)	(2,906)	(3,179)	(3,435)

Notes to the historical financial information

1. Basis of preparation of this financial information

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

As set out in Note 10 eXpansys plc has acquired several subsidiaries during the period covered by this financial information. As a result, the structure of the group carrying out the Company's business (the "Group") has not been the same throughout the period covered by the financial information.

This financial information consolidates the financial statements of eXpansys plc and all of its subsidiary undertakings drawn up to the date of the financial information. The financial statements of subsidiary undertakings are consolidated from the date that control is achieved. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The financial statements for the six months ended 31 October 2006 show that the group has net current liabilities at the balance sheet date. The Group has entered into a placing agreement with Cenkos pursuant to which Cenkos has agreed to use its reasonable endeavours to raise £10 million on AIM, and the placing is not underwritten. Therefore the financial information has been prepared under the going concern concept.

2. Accounting policies

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Intangible assets

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of between 5 and 20 years (2005: 5 years, 2004: 5 years). Positive goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill arising on consolidation up to the fair value of non-monetary assets acquired is recognised in the profit and loss account in periods in which the non-monetary assets are recovered. Negative goodwill in excess of the fair value of non-monetary assets acquired arising on consolidation is recognised on the balance sheet and is written back to the profit and loss account over 3 years which is the period expected to benefit.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided at rates in order to write off the assets evenly over their estimated useful lives, as follows:

Aircraft	10% straight line
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Website development 20% straight line (2005: 33%)

Fixtures and equipment 20-33% straight line

The directors regularly review the estimated useful economic lives of tangible fixed assets, including website development costs, and amend these where the useful economic life is not felt to be appropriate.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Website development costs

Costs incurred in developing the group's website and other internal software development up to the date that the asset is brought into use are capitalised as tangible fixed assets only where they lead to the creation of an enduring asset delivering benefits at least as great as the expenditure incurred. In other circumstances costs are charged to the profit and loss account as incurred.

Amounts capitalised are written down over their expected useful economic life of 5 years (2005: 3 years, 2004: 3 years) on a straight line basis.

During the period ended 31 October 2006 the directors reviewed intangible assets and concluded that certain costs were better classified as website development costs; these costs have been reclassified in each period.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all cost incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The balance sheets and profit and loss accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date and the average rate of exchange ruling throughout the period respectively.

The exchange differences arising on the retranslation of opening net assets is taken directly to reserves.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax.

Timing differences are differences between the Group's taxable profits and its profits as stated in the financial information, leading to the inclusion of gains and losses in tax assessments in periods different to those in which they are recognised in the financial information.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance and capital repayments outstanding.

Rentals paid under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to income on a straight line basis over the lease term.

3. Turnover and segmental analysis

Turnover represents the invoiced value of goods supplied by the group, net of value added tax and trade discounts. Turnover is attributable to the one continuing activity of the group being retail and distribution of high tech products.

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by differences in geographic location. Secondary segment information (business segments) has not been reported separately as all of the revenue and expenses and all the assets relate to the one continuing activity.

Turnover

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom and rest of the world	17,322	20,372	24,315	12,052	13,447
European Union	2,606	8,568	9,489	3,842	6,213
United States and Canada	2,941	5,845	17,428	8,476	7,674
Far East	—	869	3,290	1,387	2,091
	<u>22,869</u>	<u>35,654</u>	<u>54,522</u>	<u>25,757</u>	<u>29,425</u>

Profit/(loss) before taxation

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Profit/(loss) by segment					
United Kingdom and rest of the world	782	714	(271)	(347)	173
European Union	262	597	307	195	173
United States and Canada	147	181	68	292	27
Far East	—	(97)	(150)	(109)	(84)
Total	1,191	1,395	(46)	31	289
Common costs	(138)	(783)	(649)	(139)	(165)
Group operating profit/(loss)	1,053	612	(695)	(108)	124
Net interest payable	(28)	(55)	(208)	(87)	(174)
Profit/(loss) before taxation	<u>1,025</u>	<u>557</u>	<u>(903)</u>	<u>(195)</u>	<u>(50)</u>

Net assets

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Net assets by segment:					
United Kingdom and rest of the world	999	1,493	1,704	1,620	2,590
European Union	91	286	81	269	242
United States and Canada	(276)	(436)	(1,811)	(1,488)	(2,086)
Far East	—	(124)	(319)	(187)	(445)
Total	814	1,219	(345)	214	301
Unallocated	342	379	1,486	1,177	1,207
	1,156	1,598	1,141	1,391	1,508
Minority interest	—	(197)	5	(244)	(14)
Net assets	1,156	1,401	1,146	1,147	1,494

4. Operating profit/(loss)

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
This is stated after charging/(crediting):					
One off stock write offs, deemed exceptional by virtue of their size	—	—	256	—	—
Legal costs for negotiation of participation in supplier distribution network	—	—	105	79	—
Directors bonuses relating to acquisition and integration of Mobile Planet Inc	—	—	177	—	—
Costs relating to closure of sales office in Mobile Planet Inc	—	—	79	—	—
Costs relating to redundancies in Portix Group Limited	—	—	20	—	—
Costs relating to renegotiation of covenants	—	—	—	—	31
Non-recoverable distribution expenses	—	—	—	—	223
Costs relating to redundancies in eXpansys Nomatica SARL	—	—	—	—	287
Total exceptional costs	—	—	637	79	541
Auditors remuneration (see note 5)	42	77	51	—	39
Depreciation of owned fixed assets	290	475	461	207	289
Depreciation of leased fixed assets	48	90	186	91	88
Amortisation of goodwill	12	15	161	83	105
Release of negative goodwill	(79)	—	—	—	—
Amortisation of trade marks	—	—	6	—	19
Operating lease rentals					
– land and buildings	160	392	679	339	341
– motor vehicles	3	—	—	—	—
Loss/(profit) on foreign exchange	22	(10)	46	(85)	40

All of the exceptional items in the table above are deemed allowable for corporation tax purposes.

Staff costs, including directors' remuneration, were as follows:

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Wages and salaries	1,218	1,883	4,199	1,700	1,737
Social security costs	185	281	511	221	150
	<u>1,403</u>	<u>2,164</u>	<u>4,710</u>	<u>1,921</u>	<u>1,887</u>

The average monthly number of employees, including directors, during the period, were as follows:

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>No.</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>No.</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>No.</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>No.</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>No.</i>
Administration staff	65	102	170	161	169

Directors remuneration was as follows:

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Aggregate emoluments	196	216	476	126	160

Highest paid Director

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Aggregate emoluments	98	108	227	63	69
Number of highest paid Directors	2	2	2	2	1

5. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Audit of the financial statements (*)	5	10	19	—	31
Other fees to auditors					
– local statutory audits for subsidiaries	20	20	20	—	—
– taxation services	17	12	12	—	8
– corporate finance services	—	35	—	—	—
	<u>37</u>	<u>67</u>	<u>32</u>	<u>—</u>	<u>8</u>
	<u>42</u>	<u>77</u>	<u>51</u>	<u>—</u>	<u>39</u>

(*) Included in amounts relating to audit of the financial statements above are the following amounts which relate to the company:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts relating to the company	5	10	5	—	—

All amounts included in other fees to auditors relate to the company and its UK subsidiaries.

eXpansys Hong Kong is audited by another auditor. Not included in the above analysis are audit fees for that company in respect of the local statutory audit. These totalled HK\$250,000 (£17,000) for the 2 years ended 30 April 2006. It is not possible to split the fee between the two years and the total fee was recognised in the financial statements for the year ended 30 April 2006.

6. Interest payable

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
On bank loans and overdrafts	6	9	164	74	113
On finance leases and hire purchase contracts	22	42	52	18	25
On other loans	—	4	5	—	47
	<u>28</u>	<u>55</u>	<u>221</u>	<u>92</u>	<u>185</u>

7. Tax

(a) Analysis of charge in period

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK corporation tax on profits for the period	64	29	26	—	136
Foreign tax	—	96	106	51	20
Adjustments in respect of previous periods	31	—	(23)	(23)	(53)
Total current tax	95	125	109	28	103
Deferred tax (note 15)	—	—	27	—	(391)
Tax charge/(credit)	<u>95</u>	<u>125</u>	<u>136</u>	<u>28</u>	<u>(288)</u>

(b) **Factors affecting current tax charge for the period**

The tax charge is different from the standard rate of corporation tax in the UK of 30 per cent. (2005: 30 per cent., 2004: 30 per cent.). The differences are reconciled below:

	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Profit/(loss) before taxation	<u>1,025</u>	<u>557</u>	<u>(903)</u>	<u>(195)</u>	<u>(50)</u>
Profit/(loss) before taxation multiplied by 30% (2005: 30%, 2004: 30%)	308	167	(271)	(58)	(15)
Effect of:					
Non-taxable income and disallowed expenses	(12)	10	186	92	4
Capital allowances in excess of depreciation	(32)	(12)	(52)	(24)	(5)
Other short term timing differences	22	(1)	(19)	(3)	73
Adjustments in respect of prior periods	31	—	(23)	(23)	(53)
Utilisation of tax losses of prior periods	(226)	(123)	(8)	—	—
Tax losses not relieviable against current tax	—	62	258	40	92
Tax rate difference	<u>4</u>	<u>22</u>	<u>38</u>	<u>4</u>	<u>7</u>
Current tax charge for the period (note 7(a))	<u>95</u>	<u>125</u>	<u>109</u>	<u>28</u>	<u>103</u>

(c) **Factors affecting future tax charge**

A deferred taxation asset of £1,644,000 (April 2006: £2,004,000, April 2005: £1,887,000, April 2004: £779,000) has not been recognised at the period end as it is uncertain that there will be sufficient future profits enabling the asset to reverse. The unrecognised deferred tax asset is set out in note 15.

8. Intangible assets

	<i>Negative goodwill on consolidation £000</i>	<i>Positive goodwill £000</i>	<i>Trade marks £000</i>	<i>Total £000</i>
Cost:				
At 1 May 2003	(258)	33	—	(225)
Additions	—	6	—	6
At 1 May 2004	(258)	39	—	(219)
Additions	—	3,166	—	3,166
At 1 May 2005	(258)	3,205	—	2,947
Additions	—	692	182	874
Exchange difference on translation	—	(4)	—	(4)
At 1 May 2006	(258)	3,893	182	3,817
Additions	—	5	19	24
Exchange difference on translation	—	(16)	(5)	(21)
At 31 October 2006	(258)	3,882	196	3,820
Amortisation:				
At 1 May 2003	(179)	23	—	(156)
(Released)/provided during the period	(79)	12	—	(67)
At 1 May 2004	(258)	35	—	(223)
Provided during the period	—	15	—	15
At 1 May 2005	(258)	50	—	(208)
Provided during the period	—	161	6	167
Exchange difference on retranslation	—	5	—	5
At 1 May 2006	(258)	216	6	(36)
Provided during the period	—	105	19	124
Exchange difference on retranslation	—	(4)	—	(4)
At 31 October 2006	(258)	317	25	84
Net book value at 31 October 2006	—	3,565	171	3,736
Net book value at 30 April 2006	—	3,677	176	3,853
Net book value at 30 April 2005	—	3,155	—	3,155
Net book value at 30 April 2004	—	4	—	4

On 23 April 2005 Mobile & Wireless Group acquired the share capital of Mobile Planet Inc. for a cash consideration of £1,456,000, plus costs relating to the acquisition of £395,000. The table below summarises the fair values of the assets and liabilities purchased:

	<i>£000</i>
Tangible fixed assets	77
Stocks	218
Debtors	108
Cash	53
Creditors	<u>(1,479)</u>
	(1,023)
Goodwill on acquisition:	
Calculated in year ended 30 April 2005	2,831
Adjusted in year ended 30 April 2006	<u>43</u>
	<u>1,851</u>
Satisfied by:	
Cash consideration	1,456
Costs related to the acquisition	<u>395</u>
	<u>1,851</u>

This transaction was accounted for using the acquisition method of accounting.

Mobile Planet Inc. made a loss after tax of \$2,149,076 in the financial period ended 31 December 2004, the last financial period before acquisition. There were no recognised gains or losses in this period other than the profit.

No profit and loss account was prepared for the financial period from 1 January 2005 to the date of acquisition and hence this information cannot be given.

The fair value amounts disclosed above are the final agreed fair values of the assets and liabilities purchased. Information regarding the book value of the net assets at acquisition date is not available. The transaction was based on fair values not book values.

At the financial year end 30 April 2005 provisional fair values were calculated; these were subsequently revised in the financial year ended 30 April 2006 leading to an adjustment to goodwill in the financial year ended 30 April 2006. As a result of this reassessment, the purchase price was also adjusted.

The acquisition substantially increased the group's presence in the USA. Segmental analysis is given in note 3 to the financial information.

Portix Group Limited was acquired in September 2004 and there were no tangible fixed assets or other assets and liabilities, other than goodwill, as part of the acquisition.

9. Tangible assets

	<i>Aircraft</i> £000	<i>Website</i> <i>Development</i> £000	<i>Fixtures</i> <i>and</i> <i>Equipment</i> £000	<i>Total</i> £000
Cost:				
At 1 May 2003	48	432	532	1,012
Additions	—	254	244	498
Disposals	(48)	—	—	(48)
At 1 May 2004	—	686	776	1,462
Additions	—	712	744	1,456
At 1 May 2005	—	1,398	1,520	2,918
Additions	—	721	379	1,100
Disposals	—	—	(24)	(24)
Exchange difference on translation	—	(9)	45	36
At 1 May 2006	—	2,110	1,920	4,030
Additions	—	294	216	510
Exchange difference on retranslation	—	(20)	(42)	(62)
At 31 October 2006	—	2,384	2,094	4,478
Depreciation:				
At 1 May 2003	9	193	163	365
Charge for period	5	155	178	338
Disposals	(14)	—	—	(14)
At 1 May 2004	—	348	341	689
Charge for period	—	319	246	565
At 1 May 2005	—	667	587	1,254
Charge for period	—	215	432	647
Disposals	—	—	(24)	(24)
Exchange difference on retranslation	—	—	39	39
At 1 May 2006	—	882	1,034	1,916
Charge for period	—	156	221	377
Exchange difference on retranslation	—	(9)	(32)	(41)
At 31 October 2006	—	1,029	1,223	2,252
Net book value at 31 October 2006	—	1,355	871	2,226
Net book value at 30 April 2006	—	1,228	886	2,114
Net book value at 30 April 2005	—	731	933	1,664
Net book value at 30 April 2004	—	338	435	773

Included within the amounts above are assets held under finance leases or hire purchase contracts with net book values as follows:

	<i>30 April</i> <i>2004</i> £000	<i>30 April</i> <i>2005</i> £000	<i>30 April</i> <i>2006</i> £000	<i>Unaudited</i> <i>31 October</i> <i>2005</i> £000	<i>31 October</i> <i>2006</i> £000
Fixtures and equipment	192	328	347	417	395

10. Investments

	<i>Shares in Subsidiary Undertakings £000</i>
<i>Cost:</i>	
As at 1 May 2003 and 2004	1,169
Acquisition of Mobile Planet Inc	2,230
	<hr/>
At 1 May 2005	3,399
Reduction in cost of investment of Mobile Planet Inc	(379)
Acquisition of 49% minority interest of eXpansys Nomatica SARL	797
	<hr/>
As at 30 April 2006	3,817
Additional investment in eXpansys Nomatica SARL	212
	<hr/>
As at 31 October 2006	<u>4,029</u>

On 24 April 2006, 79,969 1p ordinary shares were issued in a share for share exchange for the whole of the minority interest share capital in eXpansys US Limited and eXpansys Southern Europe SARL (now renamed eXpansys Nomatica SARL), with a fair value of £750,001 and acquisition costs of £46,696.

In addition the fair values of the consideration for the acquisition of Mobile Planet Inc. during April 2005 were reassessed during the year ended April 2006 leading to a reduction in cost of investment of £378,946.

The results of Mobile Planet Inc from 23 April 2005 to 30 April 2005 are not material. The results of Mobile Planet Inc for the period from 1 May 2005 to 30 April 2006, being the first full year after acquisition, are included in continuing operations.

The additional investment in eXpansys Nomatica SARL was satisfied by way of capitalisation of an intercompany loan.

Details of the investments in which the company holds more than 20 per cent. of the nominal value of any class of share capital are as follows (indirect holdings are described in the narrative below):

<i>Name of Company</i>	<i>Holding (*)</i>	<i>Nature of Business</i>	<i>Country of incorporation</i>
eXpansys Limited	100%	Dormant	UK
eXpansys UK Limited	100%	Retail and distribution of high technology products	UK
eXpansys US Limited	100%	Dormant	UK
eXpansys Southern Europe Limited	100%	Dormant	UK
eXpansys DE Limited	60%	Dormant	UK
Portix Group Limited	67%	Distribution of high technology products	UK
eXpansys Scandinavia AB	100%	Retail and distribution of high technology products	Sweden
Mobile Planet Inc	100%	Retail and distribution of high technology products	USA
eXpansys Hong Kong Limited	100%	Retail and distribution of high technology products	Hong Kong
eXpansys Southern Europe SARL	100%	Retail and distribution of high technology products	France

(*) All holdings are of ordinary shares.

Indirect holding in eXpansys Nomatica SARL and eXpansys Traders SL

The company holds 51 per cent. of the issued 400,000 Euro (2005: 200,000 Euro, 2004: 10 Euro) share capital of eXpansys Nomatica SARL indirectly through eXpansys Southern Europe Limited and 49 per cent. directly.

The company also holds 100 per cent. of the issued share capital of eXpansys Traders SL, incorporated in Spain, indirectly through eXpansys Nomatica SARL.

Indirect holding in eXpansys GmbH

The company also holds 60 per cent. of the issued 35,620 Euro share capital of eXpansys GmbH, incorporated in Germany, held indirectly through eXpansys DE Limited.

Indirect holding in Portix USA Inc

The company also holds 67 per cent. of the issued \$2 share capital of Portix USA Inc, incorporated in the USA, held indirectly through Portix Group Limited.

Post balance sheet event

As disclosed in note 22, the Company purchased the minority holding in Portix Group Limited (and hence Portix USA Inc) and eXpansys DE Limited (and hence eXpansys GmbH) on 13 December 2006 and 7 February 2007, respectively.

11. Stocks

	<i>30 April 2004 £000</i>	<i>30 April 2005 £000</i>	<i>30 April 2006 £000</i>	<i>Unaudited 31 October 2005 £000</i>	<i>31 October 2006 £000</i>
Goods for resale	<u>1,921</u>	<u>4,386</u>	<u>6,674</u>	<u>4,616</u>	<u>6,426</u>

Included within stock above is consignment stock of £495,000 (April 2006:£2,155,000, 2005: £nil, 2004: £nil) for which payment is not due to the supplier until the company has received payment from the customer.

12. Debtors

	<i>30 April 2004 £000</i>	<i>30 April 2005 £000</i>	<i>30 April 2006 £000</i>	<i>Unaudited 31 October 2005 £000</i>	<i>31 October 2006 £000</i>
Trade debtors	430	1,303	2,313	2,181	2,407
Directors loan account (note 19)	15	13	45	36	47
Other taxes	—	—	544	190	617
Other debtors (note 19)	406	383	341	277	1,170
Prepayments	—	—	577	396	634
Unpaid share capital (note 19)	10	10	—	10	—
Deferred taxation (note 15)	—	—	—	—	396
	<u>861</u>	<u>1,709</u>	<u>3,820</u>	<u>3,090</u>	<u>5,271</u>

13. Creditors: amounts falling due within one year

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
Current instalments due on loans	—	288	578	578	578
Bank overdraft	27	1,986	1,039	525	1,129
Obligations under finance lease and hire purchase contracts (note 20(a))	46	169	259	266	296
Trade creditors	2,764	5,563	10,728	7,580	11,582
Corporation tax	29	63	39	11	102
Social security and other tax creditors	84	292	228	122	167
Other creditors	112	32	674	227	161
Accruals and deferred income	185	358	718	185	672
	<u>3,247</u>	<u>8,751</u>	<u>14,263</u>	<u>9,494</u>	<u>14,687</u>

The bank overdraft is secured by a fixed charge on the assets of the company.

14. Creditors: amounts falling due after more than one year

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
Bank loan	—	2,245	1,726	1,955	1,597
Obligations under finance leases and hire purchase contracts (note 20(a))	158	310	200	252	246
	<u>158</u>	<u>2,555</u>	<u>1,926</u>	<u>2,207</u>	<u>1,843</u>

The bank loan is secured by a fixed charge on the assets of the company.

Loans

Loans repayable, included within creditors, are analysed as follows:

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
Wholly repayable within 5 years	—	2,533	2,304	2,533	1,904
Not wholly repayable within 5 years	—	—	—	—	271
	<u>—</u>	<u>2,533</u>	<u>2,304</u>	<u>2,533</u>	<u>2,175</u>

Details of loans not wholly repayable within 5 years are as follows:

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
3.548% secured loan of €350,000, repayable in monthly instalments	—	—	—	—	271

15. Provisions for liabilities and charges

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation provision	—	—	27	—	32
Deferred taxation provision is as follows:					
Accelerated capital allowances	—	—	27	—	32
At beginning of period	—	—	—	—	27
Charge to the profit and loss account	—	—	27	—	5
At end of period	—	—	27	—	32

Included in note 12 is a deferred taxation asset which has been calculated as follows:

Decelerated capital allowances	—	—	—	—	125
Other timing differences	—	—	—	—	15
Tax losses	—	—	—	—	256
	—	—	—	—	396
At beginning of period	—	—	—	—	—
Credit to the profit and loss account	—	—	—	—	396
At end of period	—	—	—	—	396

The total deferred tax credit in the profit and loss account for the period ended 31 October 2006 was as follows:

	<i>£000</i>
Charge in respect of movement in deferred tax liability	5
Credit in respect of deferred tax asset	(396)
	<u>(391)</u>

A deferred taxation asset of £1,644,000 (April 2006: £2,004,000, April 2005: £1,887,000, April 2004: £779,000) has not been recognised at the year end as it is uncertain that there will be sufficient future profits enabling the asset to reverse. The unrecognised deferred tax asset is set out below:

	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Unaudited</i> <i>6 months</i>	<i>6 months</i>
	<i>ended</i>	<i>ended</i>	<i>ended</i>	<i>ended</i>	<i>ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	158	699	675	675	542
Other timing differences	22	70	59	63	44
Tax losses	599	1,118	1,270	1,158	1,058
	779	1,887	2,004	1,896	1,644

16. Share capital

	<i>30 April</i> 2004 £	<i>30 April</i> 2005 £	<i>30 April</i> 2006 £	<i>Unaudited</i> 31 October 2005 £	<i>31 October</i> 2006 £
Authorised:					
475,000 A Ordinary shares of 1p each	4,750	4,750	—	4,750	—
475,000 B Ordinary shares of 1p each	4,750	4,750	—	4,750	—
50,000 C Ordinary shares of 1p each	500	500	—	500	—
10,000,000 Ordinary shares of 1p each	—	—	100,000	—	100,000
	<u>10,000</u>	<u>10,000</u>	<u>100,000</u>	<u>10,000</u>	<u>100,000</u>
Allotted and called up:					
475,000 unpaid A Ordinary shares of 1p each	4,750	4,750	—	4,750	—
10,000 fully paid B Ordinary shares of 1p each	100	100	—	100	—
465,000 unpaid B Ordinary shares of 1p each	4,650	4,650	—	4,650	—
33,340 (2005: 49,980, 2004: 49,980) fully paid C Ordinary shares of 1p each	334	334	—	334	—
5,316,545 fully paid Ordinary shares of 1p each	—	—	53,165	—	53,165
	<u>9,834</u>	<u>9,834</u>	<u>53,165</u>	<u>9,834</u>	<u>53,165</u>

The A, B and C ordinary shares all ranked *pari passu* for dividends and voting rights, however A and B ordinary shareholders had the right to appoint two directors, however C ordinary shareholders could only appoint one director.

In April 2006 all A, B and C 1p ordinary shares were redesignated as 1p ordinary shares ranking *pari passu* in all respects, 79,969 1p ordinary shares were issued in a share for share exchange for the whole of the minority interest share capital in eXpansys UK Limited and eXpansys Nomatica SARL, and 4,253,236 1p ordinary shares were issued via a bonus issue.

17. Reconciliation of shareholders' funds and movements on reserves

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Merger Reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders funds £000</i>
At 1 May 2003	10	162	—	141	313
Profit for the year	—	—	—	930	930
Minority interest	—	—	—	(67)	(67)
Exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	(3)	(3)
Redemption of share capital	—	(17)	—	—	(17)
At 30 April 2004	10	145	—	1,001	1,156
Profit for the year	—	—	—	432	432
Minority interests	—	—	—	(130)	(130)
Exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	(57)	(57)
At 30 April 2005	10	145	—	1,246	1,401
Issue of shares	—	—	750	—	750
Reserves transfer for bonus issue	43	—	—	(43)	—
Loss for the year	—	—	—	(1,039)	(1,039)
Minority interest	—	—	—	52	52
Exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	(18)	(18)
At 30 April 2006	53	145	750	198	1,146
Profit for the period	—	—	—	238	238
Minority interest	—	—	—	(20)	(20)
Exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	130	130
At 31 October 2006	53	145	750	546	1,494

As a result of the acquisition of the whole of the minority interest share capital in eXpansys Nomatica SARL in a share for share exchange, merger relief was taken and no share premium was recognised, rather the premium arising was credited to merger reserve.

18. Earnings per share

Basic earning per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary share holders of the parent by the weighted average number of ordinary shares outstanding during the year.

There are no dilutive shares.

The following reflects the income and share data used in the earnings per share computations:

	<i>30 April 2004 £000</i>	<i>30 April 2005 £000</i>	<i>30 April 2006 £000</i>	<i>Unaudited 31 October 2005 £000</i>	<i>31 October 2006 £000</i>
Net profit/(loss) attributable to equity holders of the parent	863	302	(987)	(270)	218

	<i>30 April</i> <i>2004</i> <i>thousands</i>	<i>30 April</i> <i>2005</i> <i>thousands</i>	<i>30 April</i> <i>2006</i> <i>thousands</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>thousands</i>	<i>31 October</i> <i>2006</i> <i>thousands</i>
Basic weighted average number of shares	4,917	4,917	4,950	4,917	4,950
Basic earnings per share	17.6p	6.1p	(19.9)p	(5.5)p	4.4p

The number of shares for the years ending 30 April 2004 and 30 April 2005, and the period ending 31 October 2005, have been adjusted for the bonus issue in April 2006.

On 6 March 2007, share options were granted, subject to the listing of the company's shares on the Alternative Investment Market before 31 May 2007, as follows:

	<i>Number of shares</i> <i>under option</i>	<i>Exercise</i> <i>price</i>
Cate Hulme (director)	425,320	10.25 pence
Three employees	505,320	50% Placing Price
Thirteen employees	260,000	80% Placing Price
Consultant	40,000	50% Placing Price

Earnings per share from before exceptional items

The group presents as exceptional items on the face of the profit and loss account, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better element of financial performance for the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

To this end, basic earnings per share is also presented on this basis and using the weighted average number of ordinary shares as per the table above. Net profit before exceptional items before exceptional items and attributable to equity holders of the parent is derived follows:

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
Net profit/(loss) attributable to equity holders of the parent	863	302	(987)	(270)	218
Exceptional items after tax attributable to equity holders of the parent	—	—	637	79	541
Net profit before exceptional items attributable to equity holders of the parent	863	302	(350)	(191)	759
Earnings per share before exceptional items	17.6p	6.1p	(7.1)p	(3.9)p	15.3p

19. Related party transactions

Share capital debtor:

Included within debtors (note 12) are amounts due from the directors for unpaid share capital as follows:

	<i>30 April</i> <i>2004</i> <i>£000</i>	<i>30 April</i> <i>2005</i> <i>£000</i>	<i>30 April</i> <i>2006</i> <i>£000</i>	<i>Unaudited</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>31 October</i> <i>2006</i> <i>£000</i>
M Kydd	5	5	—	5	—
R Butterworth	5	5	—	5	—
	10	10	—	10	—

M Kydd

Included in note 12 are loans to M Kydd, a director.

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 May	15	15	13	13	36
Expenses paid on the company's behalf	—	(2)	(1)	(1)	(2)
Additional funds from company	—	—	24	24	4
Amount outstanding at 30 April	<u>15</u>	<u>13</u>	<u>36</u>	<u>36</u>	<u>38</u>

The highest balance outstanding during the period was £39,000 (year ended 30 April 2006: £36,000, year ended 30 April 2005:£15,000, year ended 30 April 2004: £15,000).

All amounts were repaid on 3 April 2007. On 12 March 2007 M Kydd resigned as director of the Company.

R Butterworth

Included in note 12 are loans to R Butterworth, a director.

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 May	—	—	—	—	9
Additional funds from company	—	—	9	—	—
Amount outstanding at 30 April	<u>—</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>9</u>

The highest balance outstanding during the period was £9,000 (year ended 30 April 2006: £9,000, year ended 30 April 2005:£nil, year ended 30 April 2004: £nil).

All amounts were repaid on 3 April 2007.

S Muttram

Included in Other debtors in note 12 are loans to S Muttram, an officer of a subsidiary company.

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 May	—	—	—	—	55
Additional funds from company	—	—	55	—	—
Amount outstanding at 30 April	<u>—</u>	<u>—</u>	<u>55</u>	<u>—</u>	<u>55</u>

The highest balance outstanding during the period was £55,000 (year ended 30 April 2006: £55,000, year ended 30 April 2005:£nil, year ended 30 April 2004: £nil).

All amounts were repaid on 3 April 2007.

On 13 December 2006, Steve Muttram was appointed a director of the company.

Expanding Systems Limited

Included in Other debtors (note 12) is £701,000 (April 2006, 2005, 2004: nil, October 2005: nil) in respect of inventory which has not yet been received but which has been financed by a third party through Expanding Systems Limited of which Roger Butterworth and Cate Hulme are directors.

20. Commitments

(a) *Obligations under finance leases and hire purchase contracts*

The maturity of these amounts is as follows:

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable:					
Within one year	59	210	285	266	363
Within one to two years	175	331	188	234	160
In two to five years	—	—	40	88	89
	<u>234</u>	<u>541</u>	<u>513</u>	<u>588</u>	<u>612</u>
Less finance charges allocated to future periods	(30)	(62)	(54)	(70)	(70)
	<u>204</u>	<u>479</u>	<u>459</u>	<u>518</u>	<u>542</u>

Finance leases and hire purchases contracts are analysed as follows:

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Current obligations (note 13)	46	169	259	266	296
Non-current obligations (note 14)	158	310	200	252	246
	<u>204</u>	<u>479</u>	<u>459</u>	<u>518</u>	<u>542</u>

(b) *Commitments under operating leases*

At each period end the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>				
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited</i> <i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire					
Within one year	—	—	132	132	48
In one to two years	—	—	16	16	29
In two to five years	218	159	40	40	84
In more than five years	—	193	372	372	272
	<u>218</u>	<u>352</u>	<u>560</u>	<u>560</u>	<u>433</u>

(c) *Other commitments*

As at 31 October 2006 the group has a commitment to pay a supplier £184,000 over the next two years, for participation in their distribution network (April 2006: £195,000, April 2005 and April 2004: £nil).

21. Note to the group statement of cash flows

(a) Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Year ended 30 April 2004 £000	Year ended 30 April 2005 £000	Year ended 30 April 2006 £000	Unaudited 6 months ended 31 October 2005 £000	6 months ended 31 October 2006 £000
Operating profit/(loss)	1,053	612	(695)	(108)	124
Depreciation	338	565	647	298	377
Amortisation	12	15	167	83	124
Release of negative goodwill	(79)	—	—	—	—
Profit on sale of fixed assets	(2)	—	—	—	—
Currency movements	(4)	(56)	(6)	19	102
Change in debtors	(411)	(681)	(2,110)	(1,382)	(1,056)
Change in creditors	984	1,839	5,734	1,447	237
Change in stocks	(686)	(2,050)	(2,288)	(230)	248
Net cash inflow from operating activities	<u>1,205</u>	<u>244</u>	<u>1,449</u>	<u>127</u>	<u>156</u>

(b) Analysis of gross cash flows for acquisitions

	Year ended 30 April 2004 £000	Year ended 30 April 2005 £000	Year ended 30 April 2006 £000	Unaudited 6 months ended 31 October 2005 £000	6 months ended 31 October 2006 £000
Purchase of subsidiary undertakings					
– Mobile Planet	—	(2,230)	—	—	—
Refund of consideration					
– Mobile Planet	—	—	379	379	—
Cash acquired with Mobile Planet	—	53	—	—	—
Purchase of subsidiary undertakings					
– Portix Group Limited	—	(306)	—	—	—
– Portix USA Inc	—	—	(5)	—	—
Purchase of minority interest of eXpansys Nomatica SARL	—	—	(45)	—	(5)
	<u>—</u>	<u>(2,483)</u>	<u>329</u>	<u>379</u>	<u>(5)</u>

As described in Note 10, in the financial year ended 30 April 2006 the fair values of the assets and consideration relating to the acquisition of Mobile Planet Inc were reassessed, resulting in a reduction in the amounts payable. This resulted in a repayment of £378,946.

(c) Analysis of net (debt) /funds

	At 1 May 2003 £000	Cash flow £000	New finance lease £000	At 30 April 2004 £000
Cash at bank and in hand	256	746	—	1,002
Bank overdrafts	—	(27)	—	(27)
	<u>256</u>	<u>719</u>	<u>—</u>	<u>975</u>
Finance leases	(225)	27	(6)	(204)
	<u>31</u>	<u>746</u>	<u>(6)</u>	<u>771</u>

	<i>At 1 May 2004 £000</i>	<i>Cash flow £000</i>	<i>New finance lease £000</i>	<i>At 30 April 2005 £000</i>
Cash at bank and in hand	1,002	988	—	1,990
Bank overdrafts	(27)	(1,959)	—	(1,986)
	975	(971)	—	4
Finance leases	(204)	127	(402)	(479)
Bank loans	—	(2,533)	—	(2,533)
	<u>771</u>	<u>(3,377)</u>	<u>(402)</u>	<u>(3,008)</u>
	<i>At 1 May 2005 £000</i>	<i>Cash flow £000</i>	<i>New finance lease £000</i>	<i>At 30 April 2006 £000</i>
Cash at bank and in hand	1,990	(1,094)	—	896
Bank overdrafts	(1,986)	947	—	(1,039)
	4	(147)	—	(143)
Finance leases	(479)	164	(144)	(459)
Bank loans	(2,533)	229	—	(2,304)
	<u>(3,008)</u>	<u>246</u>	<u>(144)</u>	<u>(2,906)</u>
	<i>Unaudited At 1 May 2005 £000</i>	<i>Unaudited Cash flow £000</i>	<i>Unaudited New finance lease £000</i>	<i>Unaudited At 31 October 2005 £000</i>
Cash at bank and in hand	1,990	(1,592)	—	398
Bank overdraft	(1,986)	1,461	—	(525)
	4	(131)	—	(127)
Finance leases	(479)	49	(89)	(519)
Bank loans	(2,533)	—	—	(2,533)
	<u>(3,008)</u>	<u>(82)</u>	<u>(89)</u>	<u>(3,179)</u>
	<i>At 1 May 2006 £000</i>	<i>Cash flow £000</i>	<i>New finance lease £000</i>	<i>Exchange differences £000</i>
Cash at bank and in hand	896	(485)	—	—
Bank overdraft	(1,039)	(90)	—	—
	(143)	(575)	—	—
Finance leases	(459)	85	(168)	—
Bank loans	(2,304)	66	—	63
	<u>(2,906)</u>	<u>(424)</u>	<u>(168)</u>	<u>63</u>
				<i>At 31 October 2006 £000</i>
				411
				(1,129)
				(718)
				(542)
				(2,175)
				<u>(3,435)</u>

(d) **Cash flows relating to operating exceptional items**

Net cash inflow from operating activities includes the following cash flows:

	<i>Unaudited</i>				
	<i>Year ended</i> <i>30 April</i> <i>2004</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2005</i> <i>£000</i>	<i>Year ended</i> <i>30 April</i> <i>2006</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2005</i> <i>£000</i>	<i>6 months ended</i> <i>31 October</i> <i>2006</i> <i>£000</i>
Legal costs for negotiation of participation in supplier distribution network	—	—	105	79	—
Directors bonuses relating to acquisition and integration of Mobile Planet Inc	—	—	177	—	—
Costs relating to closure of sales office in Mobile Planet Inc	—	—	79	—	—
Costs relating to redundancies in Portix Group Limited	—	—	20	—	—
Costs relating to renegotiation of covenants	—	—	—	—	31
Costs relating to redundancies in eXpansys Nomatica SARL	—	—	—	—	287
	—	—	381	79	318

22. Post Balance Sheet events

On 13 December 2006, 398,740 1p ordinary shares were issued in a share for share exchange for the whole of the minority interest share capital in Portix Group Limited (and indirectly in Portix USA Inc). Merger relief was taken and therefore no share premium was recognised.

On 13 December 2006, Steve Muttram and Frederic Pont were appointed directors of the company.

On 7 February 2007, 53,165 1p ordinary shares were issued in a share for share exchange for the whole of the minority interest share capital in eXpansys DE Limited (and indirectly in eXpansys GmbH). Merger relief was taken and therefore no share premium was recognised.

On 7 February 2007, 9,682 1p ordinary shares were issued for cash at a premium of £9,000.

On 12 March 2007 the following resolutions were passed:

- sub-divide the 100,000 1p ordinary shares currently in issue into 0.25p shares;
- increase the authorised share capital to £200,000;
- change the company name to eXpansys Limited; and
- re-register the company as a public company, to be called eXpansys plc.

On 6 March 2007, share options were granted, subject to the listing of the company's shares on AIM before 31 May 2007, as follows:

	<i>Number of shares under option</i>	<i>Exercise price</i>
Cate Hulme (director)	425,320	10.25 pence
Three employees	505,320	50% Placing Price
Thirteen employees	260,000	80% Placing Price
Consultant	40,000	50% Placing Price

On 12 March 2007 M Kydd resigned as a director of the Company.

23. Derivatives and other financial instruments

The group uses financial instruments including cash, bank overdraft and finance leases, as well as trade debtors and creditors that arise directly from its operations. The group has no financial instruments that fall to be classed as derivatives. In particular, the group does not use forward foreign currency contracts.

With the exception of the analysis of currency exposures, the disclosures given below do not include short-term debtors and creditors.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group are as follows:

	<i>Total</i> £'000	<i>Fixed</i> <i>rate</i> £'000	<i>Floating</i> <i>rate</i> £'000
30 April 2004:			
Euros	27	—	27
Sterling	204	204	—
Total	<u>231</u>	<u>204</u>	<u>27</u>
30 April 2005:			
US dollars	2,260	—	2,260
Euros	2,259	—	2,259
Sterling	479	479	—
Total	<u>4,998</u>	<u>479</u>	<u>4,519</u>
30 April 2006:			
US dollars	1,641	—	1,641
Euros	1,702	60	1,642
Sterling	459	459	—
Total	<u>3,802</u>	<u>519</u>	<u>3,283</u>
31 October 2005 (unaudited):			
US dollars	1,493	—	1,493
Euros	1,565	71	1,494
Sterling	518	518	—
Total	<u>3,576</u>	<u>589</u>	<u>2,987</u>
31 October 2006:			
US dollars	1,516	—	1,516
Euros	1,788	273	1,515
Sterling	542	542	—
Total	<u>3,846</u>	<u>815</u>	<u>3,031</u>

The weighted average interest rate on the fixed rate financial liabilities is 3.63 per cent. (April 2006 and April 2005: 4.04 per cent.) for Euro and US dollar liabilities and 4.7 per cent. for sterling liabilities. The floating rate financial liabilities comprise a 50 per cent. Euro 50 per cent. US Dollar denominated bank loans and 100 per cent. sterling overdrafts that bear interest at rates based on LIBOR or EURIBOR (at the group's option).

Interest rate risk profile of financial assets

The interest rate profile of the group's financial assets, excluding short term debtors, at each period end are as follows:

	<i>Year</i> <i>ended</i> <i>30 April</i> <i>2004</i> £000	<i>Year</i> <i>ended</i> <i>30 April</i> <i>2005</i> £000	<i>Year</i> <i>ended</i> <i>30 April</i> <i>2006</i> £000	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>31 October</i> <i>2005</i> £000	<i>6 months</i> <i>ended</i> <i>31 October</i> <i>2006</i> £000
Euro	198	271	525	205	65
Swedish Krone	—	25	38	43	61
US dollar	89	75	30	142	276
Hong Kong dollar	—	13	33	8	9
Sterling	715	1,606	270	—	—
	<u>1,002</u>	<u>1,990</u>	<u>896</u>	<u>398</u>	<u>411</u>

The group's financial assets earn interest at a fixed rate of 1.5 per cent. on average

Currency exposures

The group's currency exposures are those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account.

The companies comprising the group undertake the majority of their transactions in their functional currency, with the exception of the UK subsidiary company, whose purchases are mainly undertaken in either sterling, US Dollars or Euros.

Materially, all sales are denominated in the functional currency of each company.

The material transactional currency exposures to the group are therefore deemed to be those arising in the UK subsidiary on monetary liabilities related to purchases.

At each period end, these currency exposures are as follows:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>31 October</i>	<i>31 October</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
US Dollar	365	1,423	5,490	3,025	5,518
Euro	19	125	755	591	305
Other	1	—	4	—	5
Total	<u>385</u>	<u>1,548</u>	<u>6,249</u>	<u>3,616</u>	<u>5,828</u>

There are no forward foreign currency contracts to be included in the analysis above.

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at each period end are as follows:

	<i>30 April</i>	<i>30 April</i>	<i>30 April</i>	<i>Unaudited 6 months ended</i>	<i>6 months ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 October</i>	<i>31 October</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
In one year or less, or on demand	73	2,443	1,876	1,369	2,003
In more than one year but not more than two	158	888	738	742	735
In more than two years, but not more than five	—	1,667	1,188	1,465	1,042
In more than five years	—	—	—	—	66
	<u>231</u>	<u>4,998</u>	<u>3,802</u>	<u>3,576</u>	<u>3,846</u>

Borrowing facilities

The group has various borrowing facilities available to it. There are no undrawn committed facilities at the year end with the exception of the bank overdraft.

The bank overdraft facility available to the group is £1 million.

Fair values of financial assets and financial liabilities

The estimated difference between the carrying amount of the group's financial assets and financial liabilities is not considered to be material.

PART IV

ADDITIONAL INFORMATION

1 Responsibility

The Directors whose names appear on page 4, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Group

- 2.1 The Company was incorporated and registered in England and Wales on 6 July 1998 under the Act as a private company limited by shares with the name Hallco 235 Limited. On 23 October 1998, the Company changed its name to eXpansys Limited. On 6 February 2003, the Company changed its name to eXpansys Holdings Limited. On 11 May 2005, the Company changed its name to Mobile and Wireless Group Limited. On 13 March 2007, the Company changed its name to eXpansys Limited and re-registered as a public limited company under the name eXpansys plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made under it.
- 2.3 The Company's registered office is at St James's Court, Brown Street, Manchester M2 2JF. Its head office and principal place of business is at Unit 1 Kiwi Park, Commerce Way, Trafford Park, Manchester M17 1HW. The telephone number at its place of business is 0161 868 0868. The ISIN number of the Ordinary Shares is GBOOB1VMLL97.
- 2.4 The Company has 7 wholly owned subsidiaries which are registered in England and Wales, details of each of which are as follows:

<i>Company</i>	<i>Activity</i>	<i>Ownership</i>
Ubiquio Limited (Registration No. 3943300)	Dormant	100%
eXpansys (UK) Limited (Registration No. 02870061)	Sales of electronic and wireless devices	100%
eXpansys Southern Europe Limited (Registration No. 04506826)	Dormant	100%
eXpansys (DE) Limited (Registration No. 04715350)	Dormant	100%
Portix Group Limited (Registration No. 05188663)	Sales of electronic and wireless devices	100%
eXpansys US Limited (Registration No. 0442289)	Sales of electronic and wireless devices	100%
Portable Add-Ons Limited (Registration No. 05297282)	Dormant	100%

- 2.5 The Company has 9 direct or indirect subsidiaries registered overseas, of which 1 direct subsidiary is registered in Sweden, 1 indirect subsidiary is registered in Norway, 1 direct subsidiary and 1 indirect subsidiary are registered in the USA, 1 direct subsidiary is registered in France, 1 indirect subsidiary is registered in Spain, 1 indirect subsidiary is registered in Germany, 1 direct subsidiary is registered in Hong Kong and 1 indirect subsidiary is registered in China, details of each of which are as follows:

<i>Company</i>	<i>Activity</i>	<i>Ownership</i>
eXpansys Scandanavia AB (Sweden)	Sales of electronic and wireless devices	100%
eXpansys Norway (Norway)	Sales of electronic and wireless devices	100%
Mobile Planet Inc (USA)	Sales of electronic and wireless devices	100%
Portix USA Inc (USA)	Sales of electronic and wireless devices	100%
eXpansys Nomatica SARL (France)	Sales of electronic and wireless devices	49%*
eXpansys Traders SL (Spain)	Sales of electronic and wireless devices	100%
eXpansys Gmbh (Germany)	Sales of electronic and wireless devices	100%
eXpansys HK Limited (Hong Kong)	Sales of electronic and wireless devices	100%
eXpansys Shenzen Tech Co (China)	Sales of electronic and wireless devices	100%

* The Company has a direct shareholding of 49% in eXpansys Nomatica SARL. The other 51% is held by eXpansys Southern Europe Limited which is a wholly owned direct subsidiary of the Company.

3 Share capital

- 3.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, 2 of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.
- 3.2 On 23 March 2001, by or pursuant to resolutions of the Company passed on that date:
- 3.2.1 each ordinary share of £1 each held by Matthew Kydd was sub-divided into 100 "A" ordinary shares of 1p each;
- 3.2.2 each ordinary share of £1 each held by Roger Butterworth was sub-divided into 100 "B" ordinary shares of 1p each; and
- 3.2.3 the authorised share capital of the Company was increased from £1,000 to £10,000 by the creation of an additional 465,000 "A" ordinary shares of 1p each, 465,000 "B" ordinary shares of 1p each and 50,000 "C" ordinary shares of 1p each.
- 3.3 On 24 April 2006, by or pursuant to resolutions of the Company passed on that date:
- 3.3.1 each "A" ordinary share, "B" ordinary share and "C" ordinary share of 1p each in the capital of the Company was re-designated as an ordinary share of 1p in the capital of the Company;
- 3.3.2 the authorised share capital of the Company was increased from £10,000 to £100,000 by the creation of an additional 9,000,000 ordinary shares of 1p each in the capital of the Company.
- 3.5 On 12 March 2007, by or pursuant to resolutions of the Company passed on the date:
- 3.5.1 each of the existing issued and unissued ordinary shares of 1 pence each in the capital of the Company was subdivided into 4 Ordinary Shares;

- 3.5.2 the authorised share capital of the Company was increased from £100,000 to £200,000 by the creation of 40,000,000 Ordinary Shares;
- 3.5.3 in substitution for any existing authority under section 80(1) of the Act, the directors were generally and unconditionally authorised to allot additional relevant securities (as defined in section 80(2) of the Act) up to a nominal amount of £50,000 to such persons at such times and on such terms and conditions as they may determine (subject always to the articles of association) provided such authority and power shall, unless renewed, varied or revoked expire on the earlier of 15 months from the date of the passing of this resolution or the conclusion of the next annual general meeting of the Company, save that the Company may at any time prior to the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities in pursuance of such an offer, agreement or arrangement as if such authority had not expired;
- 3.5.4 the directors were empowered, pursuant to section 95(1) of the Act, to allot equity securities (within the meaning of section 94 of the Act) for cash, pursuant to the general authority and power described in paragraph 3.5.3 above, as if section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
- (a) the allotment of equity securities pursuant to a rights issue or similar offer to the holders of ordinary shares where the equity securities respectively attributable to the interests of all ordinary shareholders are in proportion (as nearly as practicable) to their respective holdings of such ordinary shares (but subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with legal problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise however); and
 - (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities for cash of an aggregate nominal value of:
 - (i) up to £38,500 in respect of one or more placings undertaken as part of the Company's proposed placing and application for admission to trading on AIM; and
 - (ii) up to £10,000 otherwise;
- provided that such power shall expire on the earlier of 15 months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company, save that the Company may at any time prior to the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities in pursuance of any such offer, agreement or arrangement as if such authority or power hereby conferred had not expired;
- 3.5.5 the Company's name was changed to eXpansys Limited;
- 3.5.6 the Company was re-registered as a public company under the Act by the name of eXpansys plc;
- 3.5.7 the Company's memorandum of association was amended to reflect the change in status of the Company from a private company limited by shares to a public company limited by shares;
- 3.5.8 the Company, conditional on Admission, adopted new articles of association.
- 3.6 The Directors intend to exercise the authorities described in paragraphs 3.5.3 and 3.5.4 to issue the Placing Shares (representing 42.7 per cent. of the Enlarged Share Capital).

- 3.7 The Placing will result in the issue of 17,241,379 Placing Shares. The Company's authorised and issued share capital, at the date of this document is and it is expected to be immediately following Admission:

		<i>At the date of this document</i>		<i>Following Admission</i>
	<i>Amount</i>	<i>Number of Ordinary Shares</i>	<i>Amount</i>	<i>Number of Ordinary Shares</i>
Authorised	£200,000	80,000,000	£200,000	80,000,000
Issued and fully paid	£57,781.32	23,112,528	£100,884.76	40,353,907

- 3.8 Share Capital Reconciliation

	<i>At 30 April 2006</i>	<i>At Admission</i>
Issued Ordinary Shares	5,663,932	40,353,907

- 3.9 Reconciliation of Ordinary Shares under option pursuant to the Share Option Scheme.

<i>At 30 April 2006</i>	<i>At Admission</i>
None	1,230,640

In addition, warrants over 403,539 Ordinary Shares will be held by Cenkos following Admission.

- 3.10 On Admission Existing Shareholders who do not participate in the Placing will suffer an immediate dilution of 42.7 per cent. of their interests in the Company.
- 3.11 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.5.4 above.
- 3.12 Save as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company.

4 Memorandum and articles of association and mandatory bids

Memorandum of association

- 4.1 The objects of the Company are set out in full in clause 3 of its memorandum of association and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the directors to be advantageous and to directly or indirectly enhance all or any of the business of the Company.

Articles of association

- 4.2 The Articles which were adopted, conditional on Admission, pursuant to a written resolution of the Company passed on 12 March 2007 contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

4.2.1 Voting rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 *Major shareholders*

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Pursuant to section 198 of the Act, holders of three per cent. or more of the nominal value of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least three per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, section 198 of the Act requires that this is also notified to the Company by the shareholder.

Pursuant to section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with section 212(2) of the Act.

4.2.3 *General meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to section 368 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum for a meeting of the Directors, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors and the Company at such a meeting shall have the power to elect Directors.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days' notice to the Company. Notice may be via a website where the member agrees and is informed that the notice has been published on the web site, the address of which is known to him. Notice shall be given to all members and the directors and the auditors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95 per cent. in nominal value of the shares giving that right.

4.2.4 *Alteration of capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

4.2.5 *Variation of rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the “Statutes”), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting two persons present in person or by proxy who are holders of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.6 *Redemption*

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

4.2.7 *Conversion*

The Company may, by ordinary resolution and subject to the Statutes, convert all or any of its fully paid up shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

4.2.8 *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution and after deduction of any provision made under section 187 of the Insolvency Act 1986 and section 719 of the Act, divide the assets among the members in specie.

4.2.9 *Transfer of shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company’s register of members.

The directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.10 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie.

The directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution. The directors may also, with the sanction of an ordinary resolution, offer to pay any dividend in part or whole by the distribution of specific assets (including, without limitation, paid up shares or debentures of any other company).

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

No dividend or other moneys payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.11 *Borrowing powers*

Subject to the provisions of the Act and as provided in the Articles, the directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any subsidiary undertaking of the Company or any third party. The directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to £20,000,000.

4.2.12 *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall be nine. No shareholder qualification is required of any director.

4.2.13 *Retirement of directors by rotation*

The Articles do not contain any provision to exclude the operations of section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a director who has attained the age of 70.

At every annual general meeting of the Company one third of the directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.14 *Remuneration of directors*

The fees to be paid to the directors shall be determined by the remuneration committee of the Company from time to time.

Each director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the directors of the Company or otherwise in the discharge of his duties as a director provided that the cost of any aeroplane travel shall not exceed the cost of "Business Class" tickets. Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

4.2.15 *Permitted interests of directors*

Subject to the provisions of the Statutes, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as remuneration or otherwise as the directors may determine. Any such remuneration shall be in addition to any remuneration provided for by any other provision of the Articles.

4.2.16 *Restrictions on voting by directors*

Save as provided below, a director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which is interested, directly or indirectly provided that he (together with any persons connected (within the meaning of section 346 of the Act) with him) is not the holder of or interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any directors.

4.3 *Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares*

4.3.1 *Mandatory bid*

The City Code on Takeovers and Mergers (the “City Code”) applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

4.3.2 *Squeeze-out*

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

4.3.3 *Sell-out*

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5 Directors' Interests

5.1 The following persons are directors of the Company:

Barry Roberts (*non-executive Chairman*)
 Roger Butterworth (*Chief Executive Officer*)
 Cate Hulme (*Finance Director*)
 Stephen Muttram (*President North American Operations*)
 Frederic Pont (*Director European Operations*)
 Graham Dawber (*non-executive Director*)

5.2 The business address of all of the Directors will be Unit 1 Kiwi Park, Commerce Way, Trafford Park, Manchester M17 1HW.

5.3 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at 3 April 2007 (being the latest practicable business day prior to the date of this document), such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director are:

<i>Shareholder</i>	<i>Current number of Ordinary Shares</i>	<i>Current % of Existing Share Capital</i>	<i>Following Admission number of Ordinary Shares</i>	<i>Following Admission % of Enlarged Share Capital</i>
Roger Butterworth	8,505,847	36.8	8,505,847	21.1
Stephen Muttram	1,594,960	6.9	1,594,960	4.0
Frederic Pont	1,594,960	6.9	1,594,960	4.0
Barry Roberts	—	—	43,000	0.1

5.4 In addition, the following Directors will, following Admission, have been granted options over the following number of Ordinary Shares. Further details of the Share Option Scheme are set out in paragraph 12 of this Part IV.

<i>Director</i>	<i>Number of Shares under Option</i>	<i>Exercise Price</i>
Cate Hulme	425,320	10.25 pence

5.5 No Ordinary Shares have been issued to the Directors pursuant to the exercise of options.

5.6 Including the arrangements described in paragraph 5.4 above, options over 1,230,640 Ordinary Shares are held by employees (including an employee of a consultant) under the Share Option Scheme. The exercise price per share of the options granted to employees other than the option described to the Director, is expressed as a percentage of the Placing Price. Of these, options over 545,320 Ordinary Shares have an exercise price equal to 50% of the Placing Price, and options over 260,000 Ordinary Shares have an exercise price equal to 80% of the Placing Price.

5.7 In respect of each Director, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.

5.8 There are no outstanding loans granted by any member of the Group to the Directors or any guarantees provided by any member of the Group for the benefit of the Directors.

5.9 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6 Significant shareholders

6.1 Insofar as is known to the Company and in addition to the interests of the Directors disclosed in paragraph 5.3 above, the following persons are, at the date of this document and, are expected, following Admission, to be interested directly or indirectly in 3 per cent. or more of the Enlarged Share Capital:

<i>Shareholder</i>	<i>Current Number of Ordinary Shares</i>	<i>Current % of Existing Share Capital</i>	<i>Following Admission Number of Ordinary Shares</i>	<i>Following Admission % of Enlarged Share Capital</i>
Matthew Kydd	8,505,847	36.8	8,505,847	21.1
Newton Investment Management	—	—	2,915,000	7.2
British Steel Pension Fund	—	—	2,185,000	5.4

6.2 None of the Company's major holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.

6.3 Save as disclosed in paragraph 5 above and this paragraph 6, and, insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, is or will be interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company.

6.4 Save as disclosed in paragraph 5 above and in this paragraph 6 and, insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, will (directly or indirectly) exercise or could exercise control over the Company.

7 Additional information on the Directors

7.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Barry Roberts	Bařatin Limited	Team Recovery Limited Team Computer Services Limited Assurity Europe Limited ICM Computer Group (Scotland) Limited Altor Ego Limited ICM Business Availability Limited VHA Limited Managed Availability Limited ICM Business Continuity Services plc ICM Recovery Services Limited ICM Managed Availability Services plc ICM Support Services plc Independent Computer Maintenance plc ICM Computer Systems Limited ICM Netserv Solutions plc ICM Limited ICM Computer Solutions plc ICM Assurity Limited ICM Software Solutions Limited ICM Business Solutions Limited ICM Managed Services Limited ICM Computer Group plc Training for Technology Limited Business Availability Limited Assurity (Holdings) Limited
Roger Butterworth	Expanding Systems Limited	Alltalking Distribution Limited Northgleam Limited
Cate Hulme	Expanding Systems Limited	None
Stephen Muttram	None	Expo Mobile Limited Portable plc (In liquidation)
Frederic Pont	None	None
Graham Dawber	Pownall Hall School Trust Limited	None

- 7.2 Save as disclosed in this document, none of the Directors has:
- 7.2.1 any unspent convictions in relation to indictable offences;
- 7.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- 7.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.6 been officially publicly criticised incriminated or sanctioned by any statutory or regulatory authorities (including designated professional bodies); or
- 7.2.7 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of a company in the five years preceding the date of this document.
- 7.3 Portable plc, a company of which Stephen Muttram was a director, was placed into administration on 19 August 2004 and finally into creditors voluntary liquidation with estimated total assets available of £119,442, an estimated surplus as regards preferential creditors of £93,858, an estimated deficiency as regards creditors of £652,822 and an estimated total deficiency of £712,822.
- 7.4 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8 Directors' remuneration

- 8.1 Details of the Directors' service contracts/non-executive letters of appointment are as follows:

<i>Director</i>	<i>Date of contract</i>	<i>Notice period from the Company (months)</i>	<i>Notice period to the Company (months)</i>	<i>Annual Salary (£)*</i>	<i>Bonus (£)*</i>
Roger Butterworth	20 December 2006	12	12	160,000	Discretionary
Cate Hulme	20 December 2006	6	6	100,000	Discretionary
Stephen Muttram*	13 December 1999	6	6	132,000	Discretionary
Frederic Pont**	15 January 2004	9	9	125,875	41,958
Barry Roberts***	12 March 2007	3	3	35,000	Nil
Graham Dawber***	12 March 2007	3	3	20,000	Nil

* Some of these amounts are paid in € or US\$. These figures represent sterling equivalent based on exchange rates of £1:€1.43:US\$1.93

** Frederic Pont is a party to a letter of appointment dated 15 January 2004 in respect of his services as a director to the Company for which he is paid Nil per annum and his services are also provided to eXpansys Nomatoca SARL under a consultancy agreement which is detailed in paragraph 9.13

*** Each of the letters of appointment of Barry Roberts and Graham Dawber are conditional on and effective from Admission

The Directors receive no Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation. The share option grants disclosed in paragraph 5.4 of this Part IV are made in addition to the remuneration packages disclosed above.

Other than as disclosed in this paragraph 8, no member of the Group is party to any service contract with any of the Group's senior management which provides for benefits on the termination of any such arrangement.

No Director has any accrued pension benefits.

- 8.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 8.3 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director and any member of the Group.
- 8.4 In the year ended 30 April 2006 the total aggregate remuneration paid to Directors in office at that time was £476,000. Of this amount, £250,000 relates to individuals who continue to be Directors of eXpansys plc.

In addition to this amount, £256,000 was paid during the year to individuals who are Directors of eXpansys plc.

The amounts payable to the Directors of eXpansys plc by the Group under the arrangements in force at the date of this document in respect of the year ending 30 April 2007 are estimated to be £459,000.

9 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group:

- 9.1 the Placing Agreement, further details of which are contained in paragraph 17 of this Part IV;
- 9.2 an agreement dated 9 January 2007 made between (1) the Company and (2) Cenkos, whereby Cenkos has agreed to be act as nominated adviser and broker to the Company on an exclusive basis. Cenkos is to receive by way of commission, a success fee of 5 per cent. of the total monies raised under the Placing and a transaction fee payable on Admission of £150,000. In addition, Cenkos shall also be entitled to receive a warrant to subscribe for 403,539 Ordinary Shares on Admission exercisable at the Placing Price at any time up to 24 months from the date of Admission. The agreement may be terminated by either party by giving one month's written notice;
- 9.3 an agreement dated 27 January 2007 made between (1) the Company and (2) Ernst & Young LLP, whereby Ernst & Young LLP have agreed to act as reporting accountants in connection with the proposed application for Admission;
- 9.4 a warrant deed dated 4 April 2007 made by the Company pursuant to which the Company has agreed, conditional upon Admission, to grant the Cenkos Warrants to Cenkos. The warrant deed permits subscription for 403,539 Ordinary Shares at the Placing Price, in whole or in part, at any time from Admission to the second anniversary of Admission.;
- 9.5 a facility letter dated 21 April 2005 (as amended by an amendment letter dated 31 August 2006 and accepted by the Company on 5 September 2006) made between (1) the Company and (2) the Bank (the "**Term Loan Agreement**") pursuant to which the Bank made available to the Company a sterling, euro and dollar term loan facility in an aggregate amount of £2,500,000 (or equivalent in United States dollars or euros) for the purpose of (i) funding the acquisition by the Company of the entire issued stock capital of Mobile Planet Holdings Corp. (incorporated in the state of Delaware) and Mobile Planet, Inc., (incorporated in the state of California) (together the "**Targets**") and, (ii) making payment of costs and expenses arising in relation to the acquisition of the Targets and its financing of the Targets;

- 9.6 a facility letter dated 21 April 2005 (as amended by an amendment letter dated 31 October 2005 and as further amended by an amendment letter dated 31 August 2006 accepted by the Company on 5 September 2006) made between (1) the Group and (2) the Bank (the “**Working Capital Credit Agreement**”) pursuant to which the Bank made available to the Group: a sterling working capital facility in an aggregate amount of £1,500,000 reducing to £1,000,000 on and following 31 August 2006 to be utilised by way of an overdraft facility or to be utilised by way of business visa, guarantees and bonds, forward foreign exchange contracts, letters of credit, currency borrowings (in dollars, euros or any other currency freely transferable and convertible into sterling and approved by the Bank) and acceptance credits;
- 9.7 a loan agreement dated 2 February 2007 made between (1) EUK (2) i-mate Middle East FZ-LLC and Carrier Devices Middle East FZ-LLC (together “**i-mate**”) and (3) the Company (as guarantor) (the “**i-mate Loan Agreement**”) pursuant to which a trade debt of \$10,000,000 owed by EUK to i-mate was capitalised by i-mate into a term loan. The balance of \$9.4 million is repayable in full on or before 30 April 2007;
- 9.8 an undertaking dated 30 March 2006, which terminates with effect from Admission, addressed to the Funds from the Company, Roger Butterworth and Matthew Kydd and in consideration of the Fund’s irrevocable undertaking to vote in favour of all resolutions proposed at the EGM held on 24 April 2006, pursuant to which, the Company, Roger Butterworth and Matthew Kydd agreed that for so long as the Funds, as a group or alone, continue to hold shares amounting to more than 1% of the total issued equity share capital of the Company, the Company, Roger Butterworth and Matthew Kydd would:
- 9.8.1 regard the Funds as having pre-emption rights equivalent to those provided in section 89 of the Act. In accordance with this provision, the Funds subscribed for an aggregate of 9,682 ordinary shares of 1 pence each in the capital of the Company at a subscription price of £1.04 per share maintaining their aggregate percentage shareholding at 2.11%; and
- 9.8.2 not grant any share options, warrants or similar securities or rights over shares in the capital of the Company amounting to greater than 5% in aggregate of the total issued share capital of the Company;
- 9.9 a share exchange agreement entered into between (1) Frederic Pont (2) the Company and (3) eXpansys Southern Europe Limited, whereby the Company acquired 3,920 shares of 25 euros each in the capital of eXpansys Nomatica SARL in consideration for the allotment and issue to Frederic Pont of 79,748 ordinary shares of 1 pence each in the capital of the Company;
- 9.10 a share exchange agreement dated 13 December 2006 entered into between (1) Stephen Muttram and (2) the Company, whereby the Company acquired 153 ordinary shares of 1p each in the capital of Portix Group Limited from Stephen Muttram in consideration for the sum of £418,604 which was satisfied by the allotment and issue, credited as fully paid, to Stephen Muttram of 398,740 ordinary shares of 1 pence each in the capital of the Company;
- 9.11 a share exchange agreement dated 13 December 2006 entered into between (1) Paul Bristow and (2) the Company, whereby the Company acquired 400 B ordinary shares of 1p each in the capital of eXpansys DE Limited from Paul Bristow in consideration for the sum of £55,300 which was satisfied by the allotment and issue, credited as fully paid, to Paul Bristow of 53,165 ordinary shares of 1 pence each in the capital of the Company;
- 9.12 a consultancy agreement entered into between (1) eXpansys Nomatica SARL (the “**Client**”) and (2) S F Partner SARL, whereby Frederic Pont (the “**Consultant**”) has been appointed to put in place a revised financial plan and necessary structures including regarding staff, finances and operations to enable a policy of growth on the part of eXpansys Nomatica SARL . The agreement was signed on 15 January 2004 but provides that the Consultant commenced his activities with SARL on 12 November 2002. The basic fee payable to the Consultant is €180,000 per year together with an additional performance based fee up to €60,000 per year exclusive of VAT. The agreement is stated to have a term of 2 years. This term is renewable automatically for a further period of 2 years unless either party gives 6 months notice that they do not wish this to be the

case. The agreement also contains an indemnity in the event of termination. If the Client fails in any of its contractual obligations towards the Consultant, and following a demand by the Consultant that the fault be rectified, and it is not rectified within 15 days, the agreement will be brought to an end. In this case, the Client is required to indemnify the Consultant equivalent to 75% of the fee for 1 year's service.

- 9.13 an agreement between eXpansys (UK) Limited and Expanding Systems Limited, a company controlled by Roger Butterworth and Matthew Kydd dated 1 December 2006 whereby Expanding Systems Limited transferred to eXpansys (UK) Limited the benefit and burden of a stock finance and letter of credit facility of up to £1,500,000 provided by Davenham Trade Credit Limited.

Roger Butterworth and Matthew Kydd have undertaken to transfer, at no cost, the shares held by them in Expanding Systems Limited as soon as practicable following Admission.

10 Corporate governance

- 10.1 The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The main features of the Company's corporate governance procedures, which do not constitute full compliance with the Combined Code, are as follows:

- the Board has two independent non-executive directors who take an active role in board matters;
- the Company has an audit committee and a remuneration committee, each of which consists of the non-executive directors and meets regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised;
- all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the board"; and
- regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

10.2 *Audit committee*

The following is a summary of the terms of reference under which the Company's audit committee ("Audit Committee") operates. The Audit Committee will comprise Barry Roberts and Graham Dawber, both of whom are non-executive directors of the Company.

The Audit Committee shall have at least two members and each member shall be an independent non-executive director. The Audit Committee shall meet at least two times in every year and any other time as required by either the chairman of the Audit Committee, the finance director of the Company or the external auditors of the Company. In addition, the Audit Committee shall meet with the external auditors of the Company (without any of the executives attending) at least once a year.

The Audit Committee shall, *inter alia*:

- monitor the financial reporting and internal control principles of the Company;
- maintain appropriate relationships with external auditors including considering the appointment and remuneration of external auditors;
- review all financial results of the Company, including all announcements in respect thereof before submission of the relevant documents to the Board;
- review and discuss (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;

- consider all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
- review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review; and
- consider all other relevant findings and audit programmes of the Company.

The chairman of the Audit Committee shall report annually to the Board on behalf of the Company's shareholders on all matters within its duties and responsibilities. The Audit Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report.

The Audit Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

10.3 *Remuneration Committee*

The following is a summary of the terms of reference under which the Company's remuneration committee ("Remuneration Committee") operates. The Remuneration Committee will comprise Barry Roberts and Graham Dawber, both of whom are non-executive directors of the Company.

The Remuneration Committee shall have at least two members and each member shall be an independent non-executive director. The managing director of the Company will normally be invited to meetings of the Remuneration Committee to discuss the performance of other executive directors but shall not be involved in any of the decisions. The Remuneration Committee shall meet at least two times in every year and any other time as required by either the chairman of the Remuneration Committee, the finance director of the Company or the external auditors of the Company.

The Remuneration Committee shall, *inter alia*:

- ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- consider the remuneration packages of the executive directors and any recommendations made by the Chief Executive Officer for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
- oversee and review all aspects of the Share Option Scheme including the selection of eligible directors and other employees and the terms of any options granted;
- demonstrate to the Company's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
- consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee shall produce an annual report which will form part of the Company's annual report and consider each year whether such report should be put to the Company's Shareholders for approval at the annual general meeting.

The Remuneration Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors remuneration is appropriate for the purpose of making their remuneration competitive; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

11 United Kingdom taxation

11.1 General

The statements set out below are intended only as a general guide to current UK tax law and practice and apply only to certain categories of persons resident in the UK for tax purposes (UK Residents). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares and does not address the position of persons who are not UK Residents unless specifically referred to. This summary is based upon UK law and HM Revenue and Customs published practice all as in effect as of the date of this document which may be subject to change, perhaps with retrospective effect. The statements do not cover all aspects of UK taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Ordinary Shares by particular investors. The statements are not applicable to all categories of Shareholders, and in particular are not addressed to: (i) Shareholders who do not hold their Ordinary Shares as capital assets; (ii) Shareholders who are not the beneficial owners of the Ordinary Shares; (iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers, investment companies, or collective investment schemes or tax-exempt organisations; (iv) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a permanent establishment branch or agency or otherwise); or (v) Shareholders who hold shares as employees.

The statements set out below are based on the current tax legislation at 7 March 2007. Therefore the comments do not take account of any changes which may arise from the 2007 budget which will take place on 21 March 2007.

Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under UK tax laws of the acquisition, ownership and disposition of Ordinary Shares. No representation with respect to the tax consequences to any particular Shareholder is made below.

11.2 Taxation of dividends

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer (currently 40 per cent.) will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent.

of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue and Customs.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

11.3 *Taxation of capital gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

Broadly, Shareholders who are not UK Resident will not be subject to UK CGT on the disposal of their Ordinary Shares unless they carry on a trade, profession or vocation in the UK through a branch or agency and have used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency. Shareholders who are not UK Residents may be subject to foreign taxation on any gain under local law. Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

11.4 *UK stamp duty and stamp duty reserve tax ("SDRT")*

Subject to what follows in relation to depositaries and clearance services, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of the Placing Shares being issued by the Company under the Global Offer.

The conveyance or transfer on sale of the Ordinary Shares outside the CREST system will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 0.5 per cent. Of the amount or value of the consideration given (rounded up to the nearest £5). Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. Of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares.

Where Ordinary Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. Of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares. Under certain circumstances, it is possible for persons providing clearance services to opt for the normal rates of stamp duty and SDRT to apply to an issue or transfer of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the Ordinary Shares into the clearance system and the exemption applying for dealings in the Ordinary Shares whilst in the system.

Under the CREST system, deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. Of the amount of value of the consideration. Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. Of the amount of value of the consideration. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system.

The sale of the existing Ordinary Shares by the selling shareholders will give rise to a liability to stamp duty and/or SDRT as explained above. Pursuant to the terms of the Underwriting Agreement certain selling shareholders have agreed to meet the liability to stamp duty of original purchasers of existing Ordinary Shares which will arise on such initial sale at no more than the rate of 0.5 per cent. Of the Offer Price. These arrangements to meet liabilities will not apply to any charge to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where the transferee is, or is a nominee for, either a person whose business is or includes the issuing of depository receipts or a person whose business is or includes the provision of clearance services for the purchase and sale of chargeable securities).

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

THE STATEMENTS IN THESE PARAGRAPHS SUMMARISE THE CURRENT POSITION AND ARE INTENDED AS A GENERAL GUIDE ONLY. SPECIAL RULES APPLY TO CERTAIN CATEGORIES OF PERSON INCLUDING INTERMEDIARIES AND PERSONS CONNECTED WITH DEPOSITORY ARRANGEMENTS AND CLEARANCE SERVICES. IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION YOU SHOULD CONSULT AN ADVISOR IMMEDIATELY.

12 Share Option Scheme

The EMI Scheme

On 6 March 2007, the Company adopted the eXpansys plc Enterprise Management Incentives and Unapproved Share Scheme.

A summary of the rules of the Share Option Scheme are as follows:

Grant of Options

Options can be granted at the discretion of the Board to eligible employees (“**Eligible Employees**”) in respect of options which comply with the requirements of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 (“**ITEPA**”) so as to be Enterprise Management Incentive options (“**EMI Options**”) and to any employee or director in respect of unapproved options (“**Unapproved Options**”).

No options can be granted after the earlier of the tenth anniversary of the date of adoption of the Share Option Scheme and the first occurrence of the release of any options in exchange for the issue of replacement options.

Conditions

The exercise of options may be made subject to conditions imposed by the Board. The conditions may be amended if the Board considers that the original conditions are no longer a fair measure of performance and that the amended terms will be a fairer measure of performance.

Eligible employees

EMI Options can be granted to directors or employees of the Company or its qualifying subsidiaries who devote at least 25 hours per week, or, if less, 75% of their working time to the business of the Company or its qualifying subsidiaries and do not have a material interest in the share capital of the Company, "material interest" being defined in paragraphs 29 and 30 of Schedule 5 to ITEPA and in general terms being possession of more than 30% of issued ordinary share capital.

Exercise price

The subscription price or purchase price payable on the exercise of options shall be determined by the Board.

Limitations

The maximum value of shares subject to EMI Options, based on the market price of an Ordinary Share at the date of grant, is £3 million.

The maximum value of shares over which EMI Options, based on the market price of an Ordinary Share at the date of grant, that can be granted to any employee under the EMI Scheme is £100,000.

Exercise of options

The rules of the scheme provide for the early exercise of options, in the event of a sale of more than 75 per cent. of the Company's share capital, the sale of the Company's business, a substantial change in ownership of the Company's share capital or where a resolution for the voluntary winding up of the Company is passed. The scheme rules also contain provision for the roll over of options in the event of a change of control with the agreement of the acquiring company.

According to the scheme rules, the option holder must indemnify the Company for any income tax payable under PAYE and any national insurance contributions payable on the exercise of the options.

Lapse of options

According to the scheme rules, options granted to employees or directors lapse if the option holder ceases to be an employee or director, unless the cessation occurs because of the option holder's death or if the Board exercises its discretion for the option not to lapse. In any event, all options shall lapse on the tenth anniversary of the date of grant.

Adjustment of options

According to the scheme rules, in the event of any variation in the share capital of the Company by way of capitalisation, rights issue, consolidation, sub-division, reduction or otherwise, the Company can adjust the number of Ordinary Shares which are subject to options and the exercise price for such options.

Scheme amendment

The Board has the power to amend the rules of the Share Option Scheme. However, such alterations must be consistent with Schedule 5 of ITEPA.

13 Working capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is at least 12 months from Admission.

14 Environmental issues

The Group is not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

15 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) in which any Group company is involved by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

16 Significant change

Save as disclosed in the paragraph headed "Current trading and prospects" in part I of this document, there has been no significant change in the financial or trading position of the Group since 31 October 2006, being the date on which the Group's latest audited accounts were prepared.

17 Arrangements relating to the Placing

Pursuant to the Placing Agreement, Cenkos has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement:

- 17.1 the Company has agreed to pay commission equal to 5% of the proceeds of the Placing (plus any applicable VAT) together with a corporate advisory fee of £150,000;
- 17.2 the Company has agreed to pay all other costs and expenses of the Placing and related arrangements together with VAT on all such costs and expenses;
- 17.3 the Company and the Directors have given certain customary warranties and indemnities as to the accuracy of the information in this document and as to other matters in relation to the Group and its business.
- 17.4 the Directors and Matthew Kydd (the "**Locked-in Persons**") have agreed to lock-in arrangements under which the Locked-in Persons agree not to dispose of any interest in Ordinary Shares held by them for a period of 12 months from Admission, except in limited circumstances, and for a further 12 months in respect of 50 per cent. of the Ordinary Shares now held by them. The agreement also provides that the remaining 50 per cent. of the Ordinary Shares held by the Locked-in Persons will be effected through the Company's broker on a best price and execution basis for a further 12 months and for a further 12 months on this basis for all their Ordinary Shares.

The circumstances in which the lock-in arrangements will not apply are as follows:

- (i) in acceptance of a general offer made to the Company's shareholders to acquire all of the Ordinary Shares;
- (ii) for a disposal by the personal representatives of the Locked-in Persons if any of them shall die during the period of such restrictions;
- (iii) in the event of an intervening Court Order; and
- (iv) in the case of a disposal pursuant to any compromise or arrangement under Section 425 of the Act.

18 Related party transactions

Save as set out in note 19 to the financial information on the Group in Part III of this document, the Company is not a party to any related party transaction. None of the related party transactions referred to in this paragraph are considered material in the context of the Proposals or in the context of the turnover of the Group in the relevant periods.

19 General

- 19.1 It is estimated that the total expenses payable by the Company in connection with the Proposals will amount to approximately 1.0 million (excluding VAT).
- 19.2 Cenkos has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 19.3 Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in respect of Part III in the form and context in which they appear.
- 19.4 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 19.5 There have been no interruptions in the business of the Group, nor are there any significant recent trends, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.
- 19.6 The Placing Price represents a premium of 57.75 pence over the nominal value of 0.25 pence per Ordinary Share. The premium arising on the Placing amounts to approximately £9,956,896 million in aggregate.
- 19.7 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 19.8 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 19.9 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 19.9.1 received, directly or indirectly from the Group within the 12 months preceding the date of this document; or
- 19.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group, on or after Admission, any of the following:
- fees totalling £10,000 or more;
 - securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - any other benefit with the value of £10,000 or more at the date of this document.
- 19.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.
- 19.11 Save as disclosed in this document, there are no investments in progress which are significant to the Group.
- 19.12 The financial information contained in Part III of this document does not constitute statutory accounts within the meaning of section 240 of the Act. Copies of the audited accounts of the Company for the three years ended 30 April 2004, 2005 and 2006 has been delivered to the Registrar of Companies in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act. The Company's current auditors Ernst & Young LLP, Chartered Accountants and Registered Auditors, audited the Company's consolidated financial statements for each of the three years ended 30 April 2006 and the six month period ended 31 October 2006 upon which unqualified audit opinions have been given.
- 19.13 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and

will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, South Africa, Australia or the Republic of Ireland and may not be sold, directly or indirectly, within the United States, Australia, Canada, Japan, the Republic of Ireland or their respective territories or to any citizen, national or resident of those places.

19.14 This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not matters of fact. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of the Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

20 Documents available for inspection

Copies of the following documents may be inspected at the Registered Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company for the two financial years ended 30 April 2005 and 2006 and the six months to October 2006;
- (c) the consent letters referred to in paragraph 19 above;
- (d) the accountant’s report from Ernst & Young LLP set out in Part III of this document; and
- (e) this document.

Dated 4 April 2007

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended) and the Companies Act 2006 (where applicable)
“Admission”	admission of the Existing Ordinary Shares and Placing Shares to AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM
“Articles”	the articles of association of the Company, as amended from time to time
“Bank”	The Governor and the Company of the Bank of Scotland
“Board” or “Directors”	the board of directors of the Company whose names are set out on page 4 of this document
“Company” or “eXpansys”	eXpansys plc, formerly Mobile and Wireless Group Limited
“Cenkos”	Cenkos Securities plc, the Company’s nominated adviser and broker (as defined in the AIM Rules), a member of the London Stock Exchange and regulated by the Financial Services Authority
“Cenkos Warrants”	the 403,539 warrants to subscribe for Ordinary Shares granted to Cenkos, further details of which are set out in paragraph 9.4 of Part IV of this document
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and issued by the Financial Reporting Council, as amended from time to time
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CRESTCo
“CRESTCo”	CRESTCo Limited, the operator of CREST
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“EMEA”	Europe, Middle East and Africa
“Enlarged Share Capital”	the issued ordinary share capital of the Company upon Admission
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Existing Share Capital”	the issued ordinary share capital of the Company at the date of this document
“Existing Shareholders”	the holders of Existing Ordinary Shares
“Far East”	the countries and regions of eastern and southeast Asia, including China, Japan, North Korea, South Korea and Mongolia
“FSMA”	the Financial Services and Markets Act 2000 (as amended)

“Funds”	Elderstreet Investments Limited, Elderstreet VCT plc and Matrix Income and Growth 4 VCT (formerly Triven VCT plc)
“Group”	the Company and its subsidiaries and subsidiary undertakings at the date of this document
“IT”	Information Technology
“London Stock Exchange”	London Stock Exchange plc
“Nomatica”	Nomatica.fr., the brand used by the Group to sell camera products in Europe
“OEM”	original equipment manufacturer
“Official List”	the Official List of the UKLA
“ORA”	the brand used by the Group on accessory products
“Ordinary Shares”	ordinary shares of 0.25p each in the capital of the Company
“PCMCIA”	Personal Computer Memory Card International Association
“Placing”	the conditional placing by Cenkos of the Placing Shares at the Placing Price in accordance with the Placing Agreement and as described in this document
“Placing Agreement”	the conditional agreement dated 4 April 2007 between (1) Cenkos (2) the Company and (3) the Directors and Matthew Kydd relating to the Placing, further details of which are set out in paragraph 17 of Part IV of this document
“Placing Price”	58 pence per new Ordinary Share
“Placing Shares”	the 17,241,379 Ordinary Shares being placed by Cenkos on behalf of the Company at the Placing Price, all of which have been created in accordance with the Act and will have the rights and be subject to the restrictions contained in the Articles
“Proposals”	the Placing and Admission
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Share Option Scheme”	the eXpansys plc Enterprise Management Incentives and Unapproved Share Scheme
“Shareholder”	a holder of Ordinary Shares from time to time
“Smartphone”	a phone offering features in addition to mobile communication such as the ability to access e-mail, browse the internet and synchronises with Computer IT system
“Ubiquio”	the brand used by the Group on own brand smartphones and UMPCs
“UK”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UMPC”	Ultra Mobile Personal Computers, a handheld computer running Windows XP or Vista

“US”, “USA” or “United States”	the United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction
“Wifi”	wireless local area network (WLAN) based on IEEE802.11 technology
“WiMAX”	Worldwide Interoperability for Microwave Access, a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL
“Windows Mobile”	the Windows platform from Microsoft for handheld devices including smartphones

